

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF NEGAUNEE	County MARQUETTE
Fiscal Year End 12-31-06	Opinion Date 5-28-07	Date Audit Report Submitted to State 6-27-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

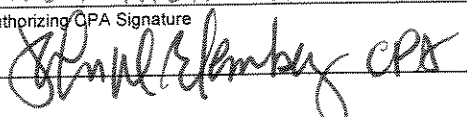
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	FFA TO BE FORWARDED AT A LATER TIME	
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & CO. PLC		Telephone Number 1-906-225-1166	
Street Address 102 W. WASHINGTON ST. SUITE 109		City MARQUETTE	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name JOHN W. BLEMBERG	License Number 1101010180	

CITY OF NEGAUNEE, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Negaunee, Michigan, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component unit, major funds and remaining fund information of the City of Negaunee, Michigan at December 31, 2006, and changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2007, on our consideration of City of Negaunee, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 49 through 61 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Negaunee, Michigan's basic financial statements. The combining and individual fund schedules listed as other financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Negaunee, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 28, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Negaunee's financial performance provides an overview of the City's financial activities for the year ended December 31, 2006. Please read it in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$1,881,813 as a result of this year's operations. Net assets of our business-type activities increased by \$1,784,053, or 15 percent, and net assets of our governmental activities increased by \$97,760, or 3 percent.
- During the year, the City had expenses for governmental activities that were \$6,493,636 and generated \$6,591,402 in general revenues and other program sources.
- The City's business-type activities had expenses of \$4,089,102 and generated \$5,873,155 in revenues.
- The general fund reported a net change in fund balance of \$59,492.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, electric, water and cable systems and activities are reported here.
- *Component Units* – The City includes one separate legal entity in its report – The Negaunee Housing Commission. Although legally separate, this component unit is included because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**The City as Trustee**

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2006 and 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$2,782,471	\$2,633,918	\$6,083,501	\$6,459,300	\$8,865,972	\$9,093,218
Noncurrent assets	-	-	784,392	788,144	784,392	788,144
Capital assets, net	2,715,824	2,733,727	13,414,176	11,802,832	16,130,000	14,536,559
Total Assets	5,498,295	5,367,645	20,282,069	19,050,276	25,780,364	24,417,921
Current liabilities	1,669,440	1,606,179	729,565	1,013,160	2,399,005	2,619,339
Noncurrent liabilities	203,114	233,485	5,494,515	5,763,180	5,697,629	5,996,665
Total Liabilities	1,872,554	1,839,664	6,224,080	6,776,340	8,096,634	8,616,004
Net Assets:						
Invested in capital assets, net of related debt	2,611,427	2,612,817	8,792,175	7,066,832	11,403,602	9,679,649
Restricted	98,170	90,709	226,000	226,000	324,170	316,709
Unrestricted	916,144	824,455	5,039,814	4,981,104	5,955,958	5,805,559
Total Net Assets	\$3,625,741	\$3,527,981	\$14,057,989	\$12,273,936	\$17,683,730	\$15,801,917

Net assets of the City's governmental activities stood at \$3,625,741. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$916,144.

The \$916,144 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$14,057,989. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2006 and 2005.

City of Negaunee, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$1,031,918	\$1,005,825	\$3,976,915	\$3,851,979	\$5,008,833	\$4,857,804
Operating grants and contributions	2,926,870	1,293,361	-	-	2,926,870	1,293,361
Capital grants and contributions	-	-	2,122,967	1,158,567	2,122,967	1,158,567
General revenues:						
Property taxes	1,437,303	1,359,487	-	-	1,437,303	1,359,487
Unrestricted intergovernmental sources	609,270	609,250	-	-	609,270	609,250
General revenues:						
Investment earnings	73,947	39,725	188,079	123,541	262,026	163,266
Miscellaneous	82,094	24,628	15,194	14,117	97,288	38,745
Total Revenues	6,161,402	4,332,276	6,303,155	5,148,204	12,464,557	9,480,480
Program Expenses:						
General Government	3,395,457	1,891,296	-	-	3,395,457	1,891,296
Public health and safety	733,029	709,933	-	-	733,029	709,933
Public works	1,916,654	1,702,710	-	-	1,916,654	1,702,710
Parks and recreation	182,668	173,338	-	-	182,668	173,338
Cemetery	94,405	96,429	-	-	94,405	96,429
Library	130,967	132,701	-	-	130,967	132,701
Interest on long-term debt	5,832	6,623	-	-	5,832	6,623
Depreciation – unallocated	34,630	36,130	-	-	34,630	36,130
Sewer	-	-	1,061,310	955,337	1,061,310	955,337
Electric	-	-	1,783,758	1,512,297	1,783,758	1,512,297
Water	-	-	808,699	786,178	808,699	786,178
Cable	-	-	435,335	393,937	435,335	393,937
Total Expenses	6,493,642	4,749,160	4,089,102	3,647,749	10,582,744	8,396,909
Excess (deficiency) before transfers	(332,240)	(416,884)	2,214,053	1,500,455	1,881,813	1,083,571
Transfers	430,000	357,600	(430,000)	(357,600)	-	-
Increase (decrease) in net assets	97,760	(59,284)	1,784,053	1,142,855	1,881,813	1,083,571
Net assets, beginning	3,527,981	3,587,265	12,273,936	11,131,081	15,801,917	14,718,346
Net Assets, Ending	\$3,625,741	\$3,527,981	\$14,057,989	\$12,273,936	\$17,683,730	\$15,801,917

The City's total revenues were \$12,464,557. The total cost of all programs and services was \$10,582,738, leaving an increase in net assets of \$1,881,813. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the governmental activities increased by \$97,760. The net incline is due mainly to controls on expenditures and aggressive grantsmanship.

A structural imbalance of revenues from traditional sources such as state shared revenues and the property tax has been created from legislature action and initiatives. Purchases of commodities such as gasoline, natural gas, health insurance, and utility pipe have increased at rates faster than revenues. Adjustments will be required to set fees and services in alignment.

Table 3 presents the cost of each of the three largest programs – General Government, Public Works and Public Health and Safety, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
General government	\$ 2,514,011	\$ 347,968
Public works	1,916,648	343,923
Public health and safety	733,029	718,327

Business-type Activities

The net assets of the business-type activities increased \$1,784,053. The net increase is a result of capital contributions in the Sewer Fund related to the Sewage Disposal System Improvement Project.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a *combined* fund balance of \$1,131,126, an increase of \$86,874 from the beginning of the year.

The total incline of \$86,874 consists primarily of an incline in the General Fund of \$319,338, a decline in the Major Street Fund of \$1,856 and an incline in the Economic Development Fund of \$19,854 combined with net increases in other governmental funds of \$9,384.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the budget a few times. With these adjustments, actual charges to expenditures were \$122,313 less than the final amended budget. Conversely, revenues were \$60,774 more than the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

At the end of fiscal 2006, the City had \$16,129,996 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

**Table 4
Capital Assets at Year-End
(Net of Depreciation)**

	Governmental Activities – 2006	Business-type Activities – 2006	Totals – 2006
Land	\$1,042,335	\$40,000	\$1,082,335
Construction in progress	-	3,156,697	3,156,697
Buildings and improvements	903,691	9,555,397	10,459,088
Equipment and furnishings	348,688	662,082	1,010,770
Infrastructure	421,110	-	421,110
Totals	\$2,715,824	\$13,414,176	\$16,130,000

In 2006, the City's major capital additions included fencing, sidewalk repair, Teal Lake retaining wall, police patrol vehicle, a plow/dump truck, resurfacing portions of Buffalo Road, and substantial completion of a new

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

sanitary sewer force main along County Road 480, one major and two minor sanitary sewer lift stations.

In 2007, the City plans to reconstruct Croix Street, consolidate City Hall operations from the second floor to the main floor and complete septic system improvements to Rolling Mills.

Debt

At year-end, the City had \$6,146,051 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

Table 5 Outstanding Debt at Year-End			
	Governmental Activities – 2006	Business-type Activities – 2006	Total- 2006
Bonds	\$57,527	\$4,622,000	\$4,679,527
Contracts and notes payable	46,870	1,419,654	1,466,524
Totals	\$104,397	\$6,041,654	\$6,146,051

Further details on long-term debt can be found in Note G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget.

Communities throughout Michigan are struggling to find ways seeking to provide appropriate services to residents, businesses, and visitors. The City of Negaunee is like most communities which have experienced transitional difficulties as traditional sources of revenues from local property taxes and State shared revenues from the income tax, sales tax, and motor fuel tax have not kept pace with cost increases.

While the City is addressing this issue by reducing staff, improving efficiencies, deferring capital spending, reallocating costs and in some cases reducing services, many residents in the community are experiencing the same challenges with their personal finances. They have experienced small wage increases while seeing large increases in the cost of insurance, gasoline, natural gas, and telecommunication services. No early reversal of these trends appears likely.

For the City, continued attention to reducing costs, increasing efficiency, sharing services, and considering new ways to provide services must occur. Careful examinations seeking to eliminate noncritical services will be ongoing. Deferring expenditures for capital maintenance and investment needs to be reversed. Much creative work is needed to seek out and explore more efficient and effective materials, methods, equipment, and to improve discussions, and communications with the public and elected officials to meet the challenges of the early 21st century and our new era of globalism. The outlook for Michigan's financial future does not appear promising; the legislature in Lansing has not found common ground to reverse Michigan's financial instability.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

One area to explore for achieving better cost efficiency is through cooperation and sharing of resources with other governmental and not for profit agencies. Manpower, equipment, facilities, and know how needs to transcend traditional service boundaries if governments are to think first and foremost about the best interests of their residents. The Cities of Negaunee and Negaunee began to explore areas of cooperative development potential and other shared interests.

These changes while necessary will not come easily. Employees will need to feel appreciated and not threatened by new ideas and alternative ways to provide services. They will need to be included when considering how to best provide services to the public. Public leaders will be required to understand complex issues. The public will increasingly demand accountability and efficiency in governmental appropriations.

Communicating the issues and challenges inherent in providing quality municipal services in ways which are meaningful and understandable to all residents has increasingly become important to develop the support necessary to implement difficult choices, which are required to be made. Outreach and understanding to employees, and residents can help to ease the difficult choices which lie ahead. The City has renewed efforts to communicate with residents through the use of surveys, the Old Town Ad Hoc committee, and a community newsletter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Negaunee, P.O. Box 70, Negaunee, Michigan, 49866.

City of Negaunee, Michigan
STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,119,829	\$ 3,053,450	\$ 4,173,279
Restricted assets - cash	-	2,661,517	2,661,517
Investments	-	-	-
Receivables (net)	1,662,642	368,534	2,031,176
Other current assets	-	-	-
TOTAL CURRENT ASSETS	2,782,471	6,083,501	8,865,972
Noncurrent assets:			
Unamortized bond issue costs	-	75,045	75,045
Investment in U.P.P.A. Electric Utility	-	165,472	165,472
Investment in Joint Water Authority	-	543,875	543,875
Capital assets:			
Land and construction in progress	1,042,335	3,196,697	4,239,032
Other capital assets	9,680,248	19,872,433	29,552,681
Accumulated depreciation	(8,006,759)	(9,654,954)	(17,661,713)
Total Capital Assets	2,715,824	13,414,176	16,130,000
TOTAL NONCURRENT ASSETS	2,715,824	14,198,568	16,914,392
TOTAL ASSETS	5,498,295	20,282,069	25,780,364
LIABILITIES:			
Current Liabilities:			
Accounts payable	270,913	103,354	374,267
Accrued liabilities	22,945	47,190	70,135
Compensated absences	6,969	55,622	62,591
Deferred revenue	1,350,518	-	1,350,518
Current portion of bonds payable	12,095	121,000	133,095
Current portion of notes payable	6,000	169,541	175,541
Other current liabilities	-	232,858	232,858
TOTAL CURRENT LIABILITIES	1,669,440	729,565	2,399,005
Noncurrent Liabilities:			
Compensated absences	116,812	-	116,812
Bonds payable	40,870	4,501,000	4,541,870
Long-term contracts and notes payable	45,432	1,250,113	1,295,545
Less deferred discount on refunding	-	(256,598)	(256,598)
TOTAL NONCURRENT LIABILITIES	203,114	5,494,515	5,697,629
TOTAL LIABILITIES	1,872,554	6,224,080	8,096,634
NET ASSETS			
Invested in capital assets net of related debt	2,611,427	8,792,175	11,403,602
Restricted for:			
Debt Service	-	226,000	226,000
Other activities	98,170	-	98,170
Unrestricted	916,144	5,039,814	5,955,958
TOTAL NET ASSETS	\$ 3,625,741	\$ 14,057,989	\$ 17,683,730

The accompanying notes are an integral part of these financial statements.

Component Unit
\$ 483,531
-
165,527
29,279
<u>22,192</u>
<u>700,529</u>
-
-
-
-
3,781,858
<u>(2,566,443)</u>
<u>1,215,415</u>
<u>1,215,415</u>
<u>1,915,944</u>
21,929
66,888
-
-
-
-
-
<u>88,817</u>
8,420
-
-
-
<u>8,420</u>
<u>97,237</u>
1,215,415
-
-
<u>603,292</u>
<u>\$ 1,818,707</u>

City of Negaunee, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit	
					Governmental Activities	Business Type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 3,395,457	\$ 19,276	\$ 2,146,767	\$ -	\$ (1,229,414)	\$ -	\$ (1,229,414)	\$ -	
Public health and safety	733,029	10,725	3,977	-	(718,327)	-	(718,327)	-	
Public works	1,916,654	801,870	770,855	-	(343,929)	-	(343,929)	-	
Parks and recreation	182,668	134,628	-	-	(48,040)	-	(48,040)	-	
Cemetery	94,405	65,419	-	-	(28,986)	-	(28,986)	-	
Library	130,967	-	5,271	-	(125,696)	-	(125,696)	-	
Interest on long-term debt	5,832	-	-	-	(5,832)	-	(5,832)	-	
Depreciation - unallocated	34,630	-	-	-	(34,630)	-	(34,630)	-	
Total Governmental Activities	6,493,642	1,031,918	2,926,870	-	(2,534,854)	-	(2,534,854)	-	
Business Type Activities:									
Sewer	1,061,310	891,120	-	2,122,967	-	1,952,777	1,952,777	-	
Electric	1,783,758	1,909,621	-	-	-	125,863	125,863	-	
Water	808,699	748,770	-	-	-	(59,929)	(59,929)	-	
Cable	435,335	427,404	-	-	-	(7,931)	(7,931)	-	
Total Business Type Activities	4,089,102	3,976,915	-	2,122,967	-	2,010,780	2,010,780	-	
TOTAL PRIMARY GOVERNMENT	\$ 10,582,744	\$ 5,008,833	\$ 2,926,870	\$ 2,122,967	(2,534,854)	2,010,780	(524,074)	-	
COMPONENT UNIT:									
Negaunee Housing Commission	\$ 448,187	\$ 257,372	\$ 93,947	\$ 28,315	-	-	-	(68,553)	
General Revenues:									
Property taxes					1,437,303	-	1,437,303	-	
Unrestricted intergovernmental sources					609,270	-	609,270	-	
Interest and investment earnings					73,947	188,079	262,026	24,827	
Miscellaneous					82,094	15,194	97,288	6,761	
Transfers					430,000	(430,000)	-	-	
TOTAL GENERAL REVENUES, TRANSFERS,					2,632,614	(226,727)	2,405,887	31,588	
CHANGE IN NET ASSETS					97,760	1,784,053	1,881,813	(36,965)	
Net assets, beginning of year					3,527,981	12,273,936	15,801,917	1,855,672	
NET ASSETS, END OF YEAR					\$ 3,625,741	\$ 14,057,989	\$ 17,683,730	\$ 1,818,707	

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 907,361	\$ -	\$ -	\$ -	\$ 268,359	\$ 1,175,720
Accounts receivable, net	110,600	-	-	-	-	110,600
Taxes receivable	963,288	-	-	-	-	963,288
Due from other governments	206,721	41,482	17,453	100,847	-	366,503
Due from other funds	237,579	-	-	-	-	237,579
Other assets	-	-	-	-	-	-
TOTAL ASSETS	\$ 2,425,549	\$ 41,482	\$ 17,453	\$ 100,847	\$ 268,359	\$ 2,853,690
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Cash overdraft	\$ -	\$ 40,630	\$ 543	\$ 14,718	\$ -	\$ 55,891
Accounts payable	135,838	852	1,582	86,129	8,531	232,932
Accrued salaries	22,945	-	-	-	-	22,945
Accrued sick and vacation leave	6,969	-	-	-	-	6,969
Due to other funds	37,981	-	15,328	-	-	53,309
Deferred revenue	1,350,518	-	-	-	-	1,350,518
TOTAL LIABILITIES	1,554,251	41,482	17,453	100,847	8,531	1,722,564
FUND BALANCE:						
Reserved for:						
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	98,170	98,170
Unreserved, reported in:						
General Fund - Designated	210,812	-	-	-	-	210,812
General Fund - Undesignated	660,486	-	-	-	-	660,486
Special Revenue Funds	-	-	-	-	161,658	161,658
TOTAL FUND BALANCE	871,298	-	-	-	259,828	1,131,126
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,425,549	\$ 41,482	\$ 17,453	\$ 100,847	\$ 268,359	\$ 2,853,690

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2006

Total Fund Balances for Governmental Funds **\$ 1,131,126**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 2,715,824

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 12,095	
Current portion of notes and contracts payable	6,000	
Compensated absences	116,812	
Bonds payable	45,432	
Long-term contracts and notes payable	<u>40,870</u>	
		(221,209)

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 3,625,741**

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Federal sources	\$ -	\$ -	\$ -	\$ 2,025,460	\$ -	\$ 2,025,460
State sources	622,370	481,682	223,037	-	7,163	1,334,252
Property taxes	1,437,303	-	-	-	-	1,437,303
Licenses and permits	336	-	-	-	-	336
Service charges	442,072	-	-	-	-	442,072
Contributions	552,043	-	-	-	2,085	554,128
Investment income	68,856	19	-	-	5,072	73,947
Other revenues	284,936	-	-	-	8,967	293,903
TOTAL REVENUES	3,407,916	481,701	223,037	2,025,460	23,287	6,161,401
EXPENDITURES:						
Current operations:						
Public affairs	232,370	-	-	-	-	232,370
Accounting and finance	181,685	-	-	-	-	181,685
Public health and safety	658,570	-	-	-	5,155	663,725
Public works	885,133	486,783	479,657	-	6	1,851,579
Parks and recreation	174,460	-	-	-	-	174,460
Cemetery	94,405	-	-	-	-	94,405
Library	126,153	-	-	-	4,814	130,967
Other governmental	895,309	-	-	-	84,074	979,383
Debt service						
Principal retirement	16,513	-	-	-	-	16,513
Interest and fiscal charges	5,832	-	-	-	-	5,832
Capital outlay	148,148	-	-	2,025,460	-	2,173,608
TOTAL EXPENDITURES	3,418,578	486,783	479,657	2,025,460	94,049	6,504,527
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,662)	(5,082)	(256,620)	-	(70,762)	(343,126)
OTHER FINANCING SOURCES (USES):						
Proceeds from borrowing	-	-	-	-	-	-
Transfers in	330,000	3,226	256,620	-	100,000	689,846
Transfers out	(259,846)	-	-	-	-	(259,846)
TOTAL OTHER FINANCING SOURCES (USES)	70,154	3,226	256,620	-	100,000	430,000
CHANGE IN FUND BALANCE	59,492	(1,856)	-	-	29,238	86,874
Fund balance, beginning of year	811,806	1,856	-	-	230,590	1,044,252
FUND BALANCE, END OF YEAR	\$ 871,298	\$ -	\$ -	\$ -	\$ 259,828	\$ 1,131,126

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 86,874

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	145,298	
Depreciation expense		(163,201)	
			(17,903)

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets. -

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 16,513

Proceeds on borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. -

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 12,276

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	97,760
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City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2006

Business- Type Activities:
Enterprise Funds

	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 752,708	\$ 1,747,596	\$ 409,289	\$ 143,857	\$ 3,053,450
Restricted assets - cash	2,358,858	33,159	219,500	50,000	2,661,517
Accounts receivable	83,094	190,760	74,362	36,469	384,685
Allowance for uncollectible accounts	(3,300)	(9,700)	(4,300)	(1,300)	(18,600)
Special assessment receivable	607	1,310	532	-	2,449
Due from other funds	-	-	-	-	-
Unamortized bond issuance costs	75,045	-	-	-	75,045
TOTAL CURRENT ASSETS	3,267,012	1,963,125	699,383	229,026	6,158,546
Noncurrent Assets:					
Investment in U.P.P.A. Electric Utility	-	165,472	-	-	165,472
Investment in Joint Water Authority	-	-	543,875	-	543,875
Construction in progress	3,156,697	-	-	-	3,156,697
Land	40,000	-	-	-	40,000
Property, plant and equipment	8,514,968	1,761,172	9,039,611	556,682	19,872,433
Accumulated depreciation	(5,551,761)	(1,347,911)	(2,242,162)	(513,120)	(9,654,954)
TOTAL NONCURRENT ASSETS	6,159,904	578,733	7,341,324	43,562	14,123,523
TOTAL ASSETS	9,426,916	2,541,858	8,040,707	272,588	20,282,069
LIABILITIES					
Current Liabilities:					
Accounts payable	13,472	48,182	15,997	25,703	103,354
Accrued liabilities	-	-	33,111	-	33,111
Accrued salaries	5,972	5,274	1,360	1,473	14,079
Accrued sick and vacation leave	21,624	26,466	6,481	1,051	55,622
Customer deposits payable	-	232,858	-	-	232,858
Current portion of long-term debt	90,000	-	200,541	-	290,541
TOTAL CURRENT LIABILITIES	131,068	312,780	257,490	28,227	729,565
Noncurrent Liabilities:					
Deferred amounts on refunding	(168,550)	-	(88,048)	-	(256,598)
Revenue bonds payable	2,525,000	-	1,976,000	-	4,501,000
Contracts payable	-	-	1,250,113	-	1,250,113
TOTAL NONCURRENT LIABILITIES	2,356,450	-	3,138,065	-	5,494,515
TOTAL LIABILITIES	2,487,518	312,780	3,395,555	28,227	6,224,080
NET ASSETS					
Invested in capital assets net of related debt	3,544,904	413,260	4,790,449	43,562	8,792,175
Net Assets:					
Restricted for debt service	226,000	-	-	-	226,000
Unrestricted	3,168,494	1,815,818	(145,297)	200,799	5,039,814
TOTAL NET ASSETS	\$ 6,939,398	\$ 2,229,078	\$ 4,645,152	\$ 244,361	\$ 14,057,989

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

	Business- Type Activities:				
	Enterprise Funds				
	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 867,175	\$ 1,834,861	\$ 743,938	\$ 405,132	\$ 3,851,106
Other operating revenue	23,945	74,760	4,832	22,272	125,809
TOTAL OPERATING REVENUES	891,120	1,909,621	748,770	427,404	3,976,915
OPERATING EXPENSES:					
Power and pumping	-	-	317	-	317
Transmission and distribution	-	312,029	88,771	83,364	484,164
Customer accounting and collection	40,063	60,080	39,867	38,467	178,477
Administrative and general	235,299	138,692	258,210	62,405	694,606
Sewage, sanitary and storm sewers	104,861	-	-	-	104,861
Wastewater treatment plant	347,558	-	-	-	347,558
Services purchased	-	1,207,051	-	241,906	1,448,957
Water meters	-	-	20,606	-	20,606
Provision for depreciation	205,221	59,922	237,287	9,193	511,623
TOTAL OPERATING EXPENSES	933,002	1,777,774	645,058	435,335	3,791,169
OPERATING INCOME (LOSS)	(41,882)	131,847	103,712	(7,931)	185,746
NONOPERATING REVENUES (EXPENSES):					
Investment income	62,180	98,506	21,024	6,369	188,079
Penalties on delinquent accounts	-	15,194	-	-	15,194
Interest expense on bonds	(128,308)	-	(161,641)	-	(289,949)
Interest and tax expense	-	(5,984)	-	-	(5,984)
TOTAL NONOPERATING REVENUES (EXPENSES)	(66,128)	107,716	(140,617)	6,369	(92,660)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(108,010)	239,563	(36,905)	(1,562)	93,086
Capital contributions	2,122,967	-	-	-	2,122,967
Transfers in	-	-	-	-	-
Transfers (out)	-	(430,000)	-	-	(430,000)
CHANGE IN NET ASSETS	2,014,957	(190,437)	(36,905)	(1,562)	1,786,053
Net assets, beginning of year	4,924,441	2,419,515	4,684,057	245,923	12,273,936
NET ASSETS, END OF YEAR	\$ 6,939,398	\$ 2,229,078	\$ 4,647,152	\$ 244,361	\$ 14,059,989

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
 PROPRIETARY FUNDS
 Statement of Cash Flows
 For the Year Ended December 31, 2006

Business-Type Activities:
Enterprise Funds

	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash received from fees and charges for services	\$ 866,964	\$ 1,817,855	\$ 740,420	\$ 403,115	\$ 3,828,354
Other operating revenues	23,945	74,760	4,832	22,272	125,809
Cash payments to employees for services	(295,629)	(233,610)	(124,908)	(83,123)	(737,270)
Cash payments for payroll taxes	(20,317)	(16,010)	(8,033)	(5,159)	(49,519)
Cash payments to suppliers for goods and services	(414,470)	(1,546,191)	(501,558)	(333,220)	(2,795,439)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>160,493</u>	<u>96,804</u>	<u>110,753</u>	<u>3,885</u>	<u>371,935</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payments (to) from other funds	-	(430,000)	-	-	(430,000)
Increase in due to other funds	-	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(430,000)</u>	<u>-</u>	<u>-</u>	<u>(430,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	-	-	-	-	-
Principal payment on long-term bonds	(85,000)	-	(193,054)	-	(278,054)
Interest paid on long-term bonds	(115,258)	-	(150,393)	-	(265,651)
Interest and tax expense	-	(5,984)	-	-	(5,984)
Penalties on delinquent accounts	-	15,194	-	-	15,194
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(200,258)</u>	<u>9,210</u>	<u>(343,447)</u>	<u>-</u>	<u>(534,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	62,180	98,506	21,024	6,369	188,079
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>62,180</u>	<u>98,506</u>	<u>21,024</u>	<u>6,369</u>	<u>188,079</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,415	(225,480)	(211,670)	10,254	(404,481)
Cash and cash equivalents, beginning of year	3,089,151	2,006,235	840,459	183,603	6,119,448
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,111,566</u></u>	<u><u>\$ 1,780,755</u></u>	<u><u>\$ 628,789</u></u>	<u><u>\$ 193,857</u></u>	<u><u>\$ 5,714,967</u></u>
Reconciliation to Statement of Net Assets:					
Cash and cash equivalents	\$ 752,708	\$ 1,747,596	\$ 409,289	\$ 143,857	\$ 3,053,450
Restricted assets - cash	2,358,858	33,159	219,500	50,000	2,661,517
Total Cash and Cash Equivalents per Statement of Net Assets	<u><u>\$ 3,111,566</u></u>	<u><u>\$ 1,780,755</u></u>	<u><u>\$ 628,789</u></u>	<u><u>\$ 193,857</u></u>	<u><u>\$ 5,714,967</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (41,882)	\$ 131,847	\$ 103,712	\$ (7,931)	\$ 185,746
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	205,221	59,922	237,287	9,193	511,623
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(12)	(23,112)	(3,260)	(2,017)	(28,401)
(Increase) decrease in special assessments receivable	(199)	176	(258)	-	(281)
Increase (decrease) in accounts payable	1,161	(76,787)	(224,639)	4,403	(295,862)
Increase (decrease) in payroll liabilities	(3,796)	(1,172)	(2,089)	237	(6,820)
Increase (decrease) in customer deposits payable	-	5,930	-	-	5,930
NET ADJUSTMENTS	<u>202,375</u>	<u>(35,043)</u>	<u>7,041</u>	<u>11,816</u>	<u>186,189</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 160,493</u></u>	<u><u>\$ 96,804</u></u>	<u><u>\$ 110,753</u></u>	<u><u>\$ 3,885</u></u>	<u><u>\$ 371,935</u></u>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
FIDUCIARY FUNDS
Statement of Fiduciary Net Assets
December 31, 2006

	Pension Trust Fund	Agency Fund
	<hr/>	<hr/>
ASSETS		
Cash and equivalents	\$ 25,474	\$ 273,326
Investments	2,179,910	-
Accounts receivable	4,457	-
Due from other funds	27,009	-
	<hr/>	<hr/>
TOTAL ASSETS	2,236,850	<u><u>\$ 273,326</u></u>
	<hr/>	<hr/>
LIABILITIES		
Due to other funds	-	\$ 222,251
Due to other governmental units	-	51,075
	<hr/>	<hr/>
TOTAL LIABILITIES	-	<u><u>\$ 273,326</u></u>
	<hr/>	<hr/>
NET ASSETS		
Held in trust for pension benefits	2,326,850	
	<hr/>	
TOTAL NET ASSETS	<u><u>\$ 2,326,850</u></u>	

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
FIDUCIARY FUNDS
Statement in Changes in Fiduciary Net Assets
For the Year Ended December 31, 2006

	Pension Trust Fund
ADDITIONS:	
Contributions:	
Employer	\$ 99,880
Employee	16,482
Total Contributions	<u>116,362</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	150,930
Interest and dividends	<u>55,155</u>
Net Investment Income (Loss)	<u>206,085</u>
TOTAL ADDITIONS	<u>322,447</u>
DEDUCTIONS:	
Benefits and annuity withdrawals	147,178
Refunds of contributions	-
Administrative expense	<u>17,810</u>
TOTAL DEDUCTIONS	<u>164,988</u>
CHANGE IN NET ASSETS	157,459
Net assets, beginning of year	<u>2,079,391</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,236,850</u></u>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Notes to Financial Statements
December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Negaunee conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

REPORTING ENTITY

The City adopted a charter in accordance with the laws of the State of Michigan in 1950 and operates under a Council-Manager form of municipal government. As required by generally accepted accounting principles, these financial statements present the City of Negaunee (the primary government). Certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Negaunee Housing Commission are included as a discretely presented component unit of the City and the Negaunee Public Schools are not included in the financial statements of the City. A complete financial statement of the component unit can be obtained directly from the Negaunee Housing Commission, 98 Croix Street, Negaunee, MI 49866.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, electric, water and cable services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants

column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefore are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.

The **Electric Fund** accounts for the activities related to electric transmission and distribution and billing for services.

The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The **Cable Fund** accounts for the activities related to operating the City Cable System and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water, sewer, and electric services are accrued as revenue in the Water, Sewer and Electric Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In September, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted to obtain taxpayer comments.
3. The final budget shall be adopted by resolution passed by the affirmative votes of at least a majority of the Council present at the regular meeting in November.
4. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
5. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
6. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

For the purpose of the cash flow statements, the City considers all highly liquid investments with a maturity of three months or less and all certificates of deposit to be cash equivalents.

Inventory

Inventory costs are recorded as expenditures when incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation of all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40-50 years
Equipment and machinery	5-20 years
Utility plant and system	16-40 years
Infrastructure	20-50 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes are levied on December 1 based on the taxable value of property and collected by the City. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" for use to finance current expenditures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Negaunee because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – RESTRICTED ASSETS:

The Enterprise Funds have restricted assets in the amount of \$2,661,517 to retire outstanding debt and to provide for unforeseen emergencies. The total is comprised of \$2,358,858 in the Sewer Utility Fund for general purpose and bond reserve retirement accounts; \$33,159 for an emergency fund and capital acquisitions in the Electric Utility Fund; \$50,000 for an emergency fund in the Cable Utility Fund; and \$219,500 in the Water Utility Fund for the purposes stated below.

Water Utility Fund Restricted

Cash:

Bond Payment Fund	\$50,000
Bond Reserve Account	121,500
Capital Improvement Fund	48,000
	<hr/>
	\$219,500

NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents reported on the statement of net assets are as follows:

	Primary Government	Fiduciary Funds	Reporting Entity
Cash and equivalents	\$4,173,279	\$298,800	\$4,472,079
Cash-restricted	2,661,517	-	2,661,517
TOTALS	<u>\$6,834,796</u>	<u>\$298,800</u>	<u>\$7,133,596</u>
A summary of deposits by type are:			
Cash in demand accounts	\$(380,618)	\$42,397	\$(338,221)
Cash in savings accounts	7,214,739	256,403	7,471,142
Petty cash	675	-	675
TOTAL DEPOSITS	<u>\$6,834,796</u>	<u>\$298,800</u>	<u>\$7,133,596</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amounts of the City's deposits with financial institutions was \$7,133,596 and the bank balance was \$7,427,510. Of the bank balance, \$625,411 or approximately 8% was covered by federal depository insurance according to FDIC regulations.

Investments

As of December 31, 2006 the City had the following investments:

Investment Type	Fair Value	Investment Maturities	
		Less than 1 year	5-10 years
Fiduciary Pension Trust Fund:			
Bond mutual funds	\$74,222	\$74,222	\$-
Equity mutual funds	1,437,688	1,437,688	-
Totals	<u>\$1,511,910</u>	<u>\$1,511,910</u>	<u>\$-</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statutes (Act 314, PA 1965, as amended) authorizes the pension trust to invest in stocks and mutual funds up to 60% of the system's assets, investments in the general or separate account of life insurance companies, fixed income securities, investments in leased real property, direct investments in property, investments in real estate loans, investments in small business or venture capital firms in Michigan, surplus funds pooled accounts, and bank or trust company collective investment funds, within certain restrictions.

The City has no investment policy that would further limit its investment choices. Ratings are not required for the City's investments as outlined above. The City's investments are in accordance with statutory authority.

NOTE D – INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables at December 31, 2006 are as follows:

	<u>Receivables</u>		<u>Payables</u>
General Fund	\$237,579	Local Street	\$15,328
		Tax Collection	222,251
Subtotal	<u>237,579</u>	Subtotal	<u>237,579</u>
Police Retirement System	<u>27,009</u>	General	<u>27,009</u>
TOTAL - REPORTING ENTITY	<u>\$264,588</u>	TOTAL - REPORTING ENTITY	<u>\$264,588</u>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE E – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The transfers between funds for the year ended December 31, 2006 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	<u>\$330,000</u>	Electric Utility	<u>\$330,000</u>
Local Street	256,620	General	259,846
Major Street	3,226		
Subtotal	<u>259,846</u>	Subtotal	<u>259,846</u>
Economic Development	<u>100,000</u>	Electric Utility	<u>100,000</u>
TOTAL REPORTING ENTITY	<u>\$689,846</u>	TOTAL REPORTING ENTITY	<u>\$689,846</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2006 is as follows:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2006</u>
Capital assets not being depreciated:				
Land	\$1,042,335	\$-	\$-	\$1,042,335
Construction in progress	67,807	-	67,807	-
Capital assets being depreciated:				
Buildings	6,219,313	-	-	6,219,313
Building improvements	20,600	-	-	20,600
Equipment and vehicles	2,961,478	38,156	-	2,999,634
Infrastructure	<u>265,752</u>	<u>174,949</u>	-	<u>440,701</u>
Total Capital Assets	<u>10,577,285</u>	<u>213,105</u>	<u>67,807</u>	<u>10,722,583</u>
Less accumulated depreciation:				
Buildings	5,293,695	34,630	-	5,328,325
Building improvements	5,837	2,060	-	7,897
Equipment and vehicles	2,538,841	112,105	-	2,650,946
Infrastructure	<u>5,185</u>	<u>14,406</u>	-	<u>19,591</u>
Total Accumulated Depreciation	<u>7,843,558</u>	<u>163,201</u>	-	<u>8,006,759</u>
Capital Assets, Net	<u>\$2,733,727</u>	<u>\$49,904</u>	<u>\$67,807</u>	<u>\$2,715,824</u>

NOTE F – CAPITAL ASSETS (Continued):

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Health and Safety	\$ 63,496
Public Works	65,075
Library	-
Unallocated	34,630
Total Depreciation Expense – Governmental Activities	<u>\$ 163,201</u>

A summary of changes in business-type activities capital assets as of December 31, 2006, is as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2006
Capital assets not being depreciated:				
Construction in progress	\$1,033,730	\$2,122,967	\$-	\$3,156,697
Land	40,000	-	-	40,000
Capital assets being depreciated:				
Sewer plant and equipment	8,514,968	-	-	8,514,968
Electric system and equipment	1,761,172	-	-	1,761,172
Water plant and equipment	9,039,611	-	-	9,039,611
Cable system and equipment	<u>556,682</u>	<u>-</u>	<u>-</u>	<u>556,682</u>
Total Capital Assets	<u>20,946,163</u>	<u>2,122,967</u>	<u>-</u>	<u>23,069,130</u>
Less accumulated depreciation:				
Sewer plant and equipment	5,346,540	205,221	-	5,551,761
Electric system and equipment	1,287,989	59,924	-	1,347,913
Water plant and equipment	2,004,875	237,287	-	2,242,162
Cable system and equipment	<u>503,927</u>	<u>9,191</u>	<u>-</u>	<u>513,118</u>
Total Accumulated Depreciation	<u>9,143,331</u>	<u>511,623</u>	<u>-</u>	<u>9,654,954</u>
Capital Assets, Net	<u>\$11,802,832</u>	<u>\$1,611,344</u>	<u>\$-</u>	<u>\$13,414,176</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$205,221
Electric system	59,924
Water system	237,287
Cable system	9,191
Total Depreciation Expense – Business-type Activities	<u>\$511,623</u>

NOTE G – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government at December 31, 2006:

<u>Description</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
GOVERNMENTAL ACTIVITIES:				
Fire Truck – Note Payable	\$51,870	\$-	\$5,000	\$46,870
Fire Truck 2004 Bond	69,040	-	11,513	57,527
Accrued Sick & Vacation	<u>129,088</u>	<u>-</u>	<u>12,276</u>	<u>116,812</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>249,998</u>	<u>-</u>	<u>28,789</u>	<u>221,209</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer system revenue refunding bonds, series 2003	2,700,000	-	85,000	2,615,000
Water revenue bonds	2,036,000	-	29,000	2,007,000
Water supply system bonds	695,000	-	-	695,000
Refunding bonds - limited tax, series 1998A	<u>886,708</u>	<u>-</u>	<u>162,054</u>	<u>724,654</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,317,708</u>	<u>-</u>	<u>276,054</u>	<u>6,041,654</u>
TOTAL REPORTING ENTITY	<u>\$6,567,706</u>	<u>\$-</u>	<u>\$304,843</u>	<u>\$6,262,863</u>

The annual principal and interest requirements are as follows:

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$18,095	\$4,989	\$290,541	\$256,927	\$308,636	\$261,916
2008	18,706	4,093	296,275	246,541	314,981	250,634
2009	38,726	3,167	315,648	235,682	354,374	238,849
2010	7,000	1,205	324,190	225,507	331,190	226,712
2011	7,000	872	352,000	210,440	359,000	211,312
2012-2016	14,870	727	1,251,000	854,783	1,265,870	855,510
2017-2021	-	-	963,000	648,146	963,000	648,146
2022-2026	-	-	1,213,000	402,462	1,213,000	402,462
2027-2031	-	-	409,000	188,666	409,000	188,666
2032-2036	-	-	509,000	85,841	509,000	85,841
2037	-	-	118,000	2,655	118,000	2,655
Total	<u>\$104,397</u>	<u>\$15,053</u>	<u>\$6,041,654</u>	<u>\$3,357,650</u>	<u>\$6,416,051</u>	<u>\$3,372,703</u>

Sanitary Sewage System Revenue Bond Payable

In November 2002, the City of Negaunee, pursuant to Act 94 of the Public Acts of Michigan, 1933, as amended, and Ordinance No. 2002, as amended, authorized the issuance of \$3,070,000 in Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 for the purpose of (1) paying the costs of the first phase of acquiring and constructing additions, extensions and improvements to the City's Sanitary Sewage Disposal System and (2) refunding all of the City's Sanitary Sewer System Revenue Bonds, Series 1978 (the "Prior Bonds"), maturing in the years 2004 to 2017, in the outstanding amount of \$1,125,000. The net proceeds of \$1,208,179 (after payment of \$93,805 in underwriting fees, insurance and other costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Prior Bonds. As a result, the Prior Bonds are considered to be defeased and the liability for those bonds has been removed from the Enterprise Funds long-term debt liability.

NOTE G – LONG -TERM DEBT (Continued):

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$163,179. This difference is being recorded in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2017 using the effective interest method.

The Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 are secured solely by the net revenues of the Sanitary Sewage System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2002. The bonds issued in denomination of \$5,000 each (\$3,070,000 original issue), dated November 27, 2002, mature annually on January 1 of each year through January 1, 2027. Interest is payable on January 1 and July 1 of each year at an average interest rate of 3.5% per annum. Scheduled payments of principal and interest are listed below:

<u>Payable In Year</u>	<u>January 1</u>		<u>July 1 Interest</u>	<u>Total</u>
	<u>Interest</u>	<u>Principal</u>		
2007	\$56,229	\$90,000	\$56,229	\$202,458
2008	54,879	90,000	54,879	199,758
2009	53,484	95,000	53,484	201,968
2010	51,892	95,000	51,892	198,784
2011	50,230	100,000	50,230	200,460
2012	48,430	105,000	48,430	201,860
2013	46,461	110,000	46,461	202,922
2014	44,316	110,000	44,316	198,632
2015	42,116	115,000	42,116	199,232
2016	39,730	120,000	39,730	199,460
2017	37,180	125,000	37,180	199,360
2018	34,305	135,000	34,305	203,610
2019	31,200	140,000	31,200	202,400
2020	27,980	145,000	27,980	200,960
2021	24,645	155,000	24,645	204,290
2022	21,080	160,000	21,080	202,160
2023	17,400	170,000	17,400	204,800
2024	13,320	175,000	13,320	201,640
2025	9,120	185,000	9,120	203,240
2026	4,680	195,000	4,680	204,360
Totals	<u>\$708,677</u>	<u>\$2,615,000</u>	<u>\$708,677</u>	<u>\$4,032,354</u>

Water Supply System Revenue Bonds

In March of 1997 the City Council of the City of Negaunee, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved \$4.9 million dollars to provide for improvements to the Water Supply System. The improvements consisted of replacement of approximately twelve (12) miles of water main and other improvements to the System. Federal funds provided through the United States Department of Agriculture to defray a portion of the cost totaled \$2,908,000. The City has issued revenue bonds in the amount of \$2,233,000 with the remainder of the financing coming from local sources. The City's bonds are secured by the

NOTE G – LONG -TERM DEBT (Continued):

net revenues derived from the operation of the Water Supply system to pay the annual installments due plus interest.

Water Supply system revenue bonds mature annually on April 1 of each year through April 1, 2037. Interest is payable semi-annually on April 1 and October 1 of each year at a rate of 4.5% per annum. Scheduled payments of principal and interest are listed below:

Payable In Year	April 1		October 1	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$45,158	\$31,000	\$44,460	\$120,618
2008	44,460	32,000	43,740	120,200
2009	43,740	34,000	42,976	120,716
2010	42,975	35,000	42,188	120,163
2011	42,187	37,000	41,355	120,542
2012	41,355	39,000	40,478	120,833
2013	40,478	40,000	39,578	120,056
2014	39,578	42,000	38,633	120,211
2015	38,633	44,000	37,643	120,276
2016	37,643	46,000	36,608	120,251
2017	36,608	48,000	35,528	120,136
2018	35,528	50,000	34,403	119,931
2019	34,403	53,000	33,210	120,613
2020	33,210	55,000	31,973	120,183
2021	31,973	57,000	30,690	119,663
2022	30,690	60,000	29,340	120,030
2023	29,340	63,000	27,923	120,263
2024	27,923	65,000	26,460	119,383
2025	26,460	69,000	24,908	120,368
2026	24,908	71,000	23,310	119,218
2027	23,310	75,000	21,623	119,933
2028	21,623	78,000	19,868	119,491
2029	19,868	82,000	18,023	119,891
2030	18,023	85,000	16,110	119,133
2031	16,110	89,000	14,108	119,218
2032	14,108	93,000	12,015	119,123
2033	12,015	97,000	9,833	118,848
2034	9,833	102,000	7,538	119,371
2035	7,538	106,000	5,153	118,691
2036	5,153	111,000	2,655	118,808
2037	<u>2,655</u>	<u>118,000</u>	<u>-</u>	<u>120,655</u>
Totals	<u>\$877,486</u>	<u>\$2,007,000</u>	<u>\$832,330</u>	<u>\$3,716,816</u>

NOTE G – LONG -TERM DEBT (Continued):Refunding Bonds - Limited Tax, Series 1998A

In June of 1998, the City Council of the City of Negaunee, pursuant to the provisions of Act No. 185, Public Acts of Michigan, 1957, as amended, approved the refunding of part or all of the Marquette County Water Supply System Bonds, Series 1992 (Negaunee-Ishpeming Improvements). Interest is payable on May 1 and November 1 each year. Scheduled payments of principal and interest are listed below.

<u>Payable In Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>	
2007	\$169,541	\$15,957	\$7,619	\$193,117
2008	174,275	12,656	4,652	191,583
2009	186,648	9,261	1,462	197,371
2010	<u>194,190</u>	<u>5,285</u>	<u>-</u>	<u>199,475</u>
Totals	<u>\$724,654</u>	<u>\$43,159</u>	<u>\$13,733</u>	<u>\$781,546</u>

NOTE H – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon termination in good standing, retirement, death, or disability, employees or their estates shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Vacation in any current calendar year shall be taken as earned during the previous year. If an employee is not permitted to take all of his earned vacation time before the expiration of the calendar year, he shall be entitled to take any such unused vacation time during the succeeding six months. Upon retirement, death, termination or disability, employees or their estates are paid for any unused portion of vacation allowance in the current year to the separation date at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows.

NOTE H – ACCUMULATED UNPAID VACATION AND SICK LEAVE (Continued):

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
ACCRUED SICK AND VACATION:			
General Fund	\$-	\$6,969	\$6,969
Sewer Utility Fund	21,624	-	21,624
Water Utility Fund	6,459	22	6,481
Electric Fund	25,572	894	26,466
Cable Utility Fund	1,051	-	1,051
Governmental Activities – long-term portion	<u>119,682</u>	<u>(2,870)</u>	<u>116,812</u>
TOTAL	<u>\$ 174,388</u>	<u>\$ 5,015</u>	<u>\$ 179,403</u>

NOTE I – DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2005).

Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department of the City are included in a separate self-administered plan. All other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Funding Policy

The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended December 31, 2006, the City's annual pension cost of \$265,950 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 39 years.

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued):

Analysis of Funding Progress
Three-Year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)-Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll <u>((a-b)/c)</u>
12/31/03	\$8,051,626	\$6,075,487	\$1,976,139	75%	\$1,393,028	142%
12/31/04	8,706,230	6,298,728	2,407,502	72%	1,558,272	154%
12/31/05	9,043,298	6,536,168	2,507,130	72%	1,420,270	177%

Schedule of Employer Contributions

<u>Fiscal Year</u> <u>Ending December 31</u>	<u>Valuation Date</u> <u>December 31</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2004	2002	\$220,848	100 %	-
2005	2003	268,992	100 %	-
2006	2004	265,950	100%	-

NOTE J – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN:Summary of Significant Accounting Policies

Basis of Accounting - The City of Negaunee Policemen Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Plan Description

The City of Negaunee is the administrator of a single-employer public employee retirement system ("System") established and administered by the City of Negaunee to provide pension benefits for the Police Department employees. The Policemen's System is considered part of the City of Negaunee financial reporting entity and is included in the City's financial report as a pension trust fund. A separately issued actuarial report is issued and available from the City Clerk. The City's payroll for employees covered by the System for the years ended December 31, 2006, 2005 and 2004 was \$329,638; \$324,724, and \$437,235; respectively. The City's total payroll was \$2,052,577; \$2,097,619; and \$2,215,231, respectively.

**NOTE J – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN
(Continued):**

The qualifying full-time employees of the Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 regardless of service are entitled to annual retirement benefits, payable monthly for life, in an amount equal to 2.9 percent of a five-year average final compensation times the first twenty-five years of service plus 1 percent of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total permanent disability of a member with five or more years of service. Benefits up to the age of 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable up to the age of 55, 50% of the average final compensation. Benefits after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker's compensation.

If an active employee with 20 or more years of service dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight-line pension actuarially reduced in accordance with an Option 1 election.

Covered employees are required by statute to contribute five percent of their salary to the System. If an employee leaves covered employment or dies before 25 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by state statute and City ordinance.

Contributions

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended December 31, 2004, were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized at a level percent of payroll over a period of 15 years.

During the year ended December 31, 2006, contributions totaling \$116,362 (\$99,880 employer and \$16,482 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004.

NOTE J – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

(Continued):

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information based upon the latest available actuarial valuation (as of December 31, 2003) is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
2000	\$1,977,422	\$1,858,889	\$118,533	94%	\$383,909	31%
2001	2,200,379	1,980,375	220,004	90%	414,699	53%
2003	2,553,784	2,130,793	422,991	83%	393,843	71%

Schedule of Employer Contributions

Fiscal Year Ending December 31	Annual Required Contribution	Percent Contributed
2000	\$102,201 @	100%
2001	100,866 @	100%
2002	99,744 @	100%
2003	100,844 @	100%

@ The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. The contribution is made based on the computed employer percent of payroll contribution applied to actual payroll throughout the year. Also included in these amounts is a 5.0% contribution for one member.

NOTE K – DESIGNATED/RESERVED FUND BALANCE AND NET ASSETS:

The General Fund has designated fund balances in the amount of \$210,812, representing \$116,812 for accrued sick and vacation and \$94,000 for future capital acquisitions and cultural programs.

The Special Revenue Funds have designated fund balance in the amount of \$5,000 for future infrastructure improvements.

The Enterprise Funds have restricted net assets of \$226,000 for emergency funds and future debt retirement.

NOTE L – PROPERTY TAXES:

Property taxes levied on December 1, 2006, in the amount of \$1,350,518 were deferred since they are not “available” to finance current expenditures. The tax rate to finance general government services for the year ended December 31, 2006 (levied December 1, 2005) was 20.7534 mills per \$1,000 of assessed valuation or \$1,300,901 on the taxable value of \$62,683,773.

NOTE M – INVESTMENT IN JOINT WATER AUTHORITY:

On July 31, 1991, the City of Negaunee and the City of Ishpeming entered into an intergovernmental agreement pursuant to both Act 35 of 1951, as amended, and Act 7 of 1967 for the purpose of creating the Negaunee-Ishpeming Water Authority Board (NIAWB), a corporate public body which shall design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, each city was obligated to pay 50% of the preliminary engineering, design engineering, and construction bidding costs.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract, the City of Negaunee was obligated to repay \$2,860,000 over 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%.

The total cost of construction of the project was \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant; a \$500,000 Michigan Community Development Block Grant; and \$840,000 in local funds.

A portion of the original debt was refunded with the Refunding Bonds - Limited Tax, Series 1998A. The unfunded debt of the original issue has remaining principal and interest requirements as follows:

Payable In Year	Principal May 1	Interest		Total
		May 1	November 1	
2007	\$-	\$15,638	\$15,637	\$31,275
2008	-	15,638	15,637	31,275
2009	-	15,638	15,637	31,275
2010	-	15,638	15,637	31,275
2011	215,000	15,638	10,800	241,438
2012	230,000	10,800	5,625	246,425
2013	<u>250,000</u>	<u>5,625</u>	-	<u>255,625</u>
Totals	<u>\$695,000</u>	<u>\$94,615</u>	<u>\$78,973</u>	<u>\$868,588</u>

NOTE M – INVESTMENT IN JOINT WATER AUTHORITY (Continued):

A summary of the compiled financial information of the NIWAB as of and for the year ended December 31, 2005 (the latest available financial report) is as follows:

Assets	\$1,856,137
Liabilities	14,379
Fund Equity	1,841,758
Operating Revenues	437,581
Operating Expenses	408,017
Operating Income	29,564
Net Income	47,713

The balance of the investment in Joint Water Authority for the year ended December 31, 2006 of \$543,875 represents the City's net investment in the NIWAB.

NOTE N – JOINT VENTURE:

In June 1988, the City of Negaunee joined with other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and any other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of Sands Township; two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners; and one (1) resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

A summary of financial information from the separately audited financial statements of the Authority for the year ended June 30, 2006 is as follows:

Assets	\$13,505,304
Liabilities	2,135,432
Net Assets	11,369,872
Operating Revenues	2,368,781
Operating Expenses	2,625,815
Outstanding Bonds Payable	740,000

NOTE N – JOINT VENTURE (Continued):

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The City's pro rata share of the outstanding debt of the Authority approximates 6.7%.

NOTE O – RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable; therefore, the City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. This agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE P – CONSTRUCTION IN PROGRESS:

The City has begun a project to acquire and construct additions, extensions and improvements to the City's Sanitary Sewage Disposal System for which the total project cost is estimated at \$12,380,000. The project is to be financed through approximately \$10,000,000 in federal appropriations, the issuance of the 2002 refunding bond providing approximately \$1,800,000 in proceeds, and an U.S. Army Corps of Engineers grant for \$580,000.

As of December 31, 2006, total construction costs incurred amounted to \$3,156,697.

NOTE Q – BUDGETARY NONCOMPLIANCE:

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

NOTE Q – BUDGETARY NONCOMPLIANCE (Continued):

The approved budgets of the City for the General and Special revenue Funds were adopted on an activity and/or program level. During the year ended December 31, 2006 the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

General Fund:	
Public Affairs	\$380
Public Health and Safety	1,030
Public Works	21,148

NOTE R – DEFICIT FUND BALANCE/NET ASSETS:

As of December 31, 2006 the Water Fund reported a deficit in unrestricted net assets of \$145,297. Total net assets amounted to \$4,645,152.

REQUIRED SUPPLEMENTARY INFORMATION

City of Negaunee, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Public Affairs, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREETS FUND and LOCAL STREETS FUND are major special revenue fund types.

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2005 Actual
REVENUES:					
Property Taxes:					
Current levy	\$ 1,240,298	\$ 1,275,250	\$ 1,284,672	\$ 9,422	\$ 1,204,100
Special levy - parks and recreation programs	62,212	62,212	62,203	(9)	60,690
Specific ore tax	32,959	32,959	32,956	(3)	38,190
Payment in lieu of taxes	23,821	23,821	24,262	441	24,090
Interest and penalties	1,300	1,300	1,611	311	1,988
Administrative fees	30,500	30,500	31,599	1,099	30,429
Total Property Taxes	1,391,090	1,426,042	1,437,303	11,261	1,359,487
Licenses and Permits	300	300	336	36	264
Federal Sources - grant proceeds	75,000	-	-	-	67,329
State Sources					
State grant proceeds	-	13,000	13,100	100	51,786
State shared taxes	588,000	588,000	578,554	(9,446)	579,108
Liquor license refunds	4,700	4,700	4,915	215	4,907
Penal fines	22,000	22,000	25,801	3,801	25,235
Total State Sources	614,700	627,700	622,370	(5,330)	661,036
Service Charges:					
Building and equipment rentals	99,250	99,250	113,801	14,551	103,897
Burial permits	35,000	42,500	52,619	10,119	52,368
Garbage collection fees	182,000	248,000	248,952	952	177,194
Sale of cemetery lots	3,500	3,500	8,960	5,460	6,806
Franchise fee	16,900	16,900	17,740	840	16,800
Total Service Charges	336,650	410,150	442,072	31,922	357,065
Contributions:					
Contributions from Highway Fund	445,600	535,600	552,918	17,318	619,653
Contributions from private sources	1,000	1,000	(875)	(1,875)	1,025
Total Contributions	446,600	536,600	552,043	15,443	620,678
Other Revenue:					
Investment income	40,000	68,000	68,856	856	36,129
Office/Building Rental	9,600	9,600	9,600	-	-
Sale of surplus property	-	10,000	10,973	973	-
Recreation and ice arena sales	19,600	19,600	20,827	1,227	18,946
Traffic violations	5,500	5,500	10,725	5,225	7,232
Hospitalization insurance reimbursement	111,650	111,650	109,082	(2,568)	121,095
Insurance refund	12,000	25,000	25,032	32	9,507
Landfill reimbursement	35,000	65,000	66,136	1,136	48,909
Miscellaneous	20,000	32,000	32,561	561	13,351
Total Other Revenue	253,350	346,350	353,792	7,442	255,169
TOTAL REVENUES	3,117,690	3,347,142	3,407,916	60,774	3,321,028

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2005 Actual
EXPENDITURES:					
PUBLIC AFFAIRS:					
City Manager:					
Personal services	\$ 49,500	\$ 48,400	\$ 48,320	\$ 80	\$ 46,474
Defined contribution	-	-	-	-	-
Social security taxes	1,640	1,640	1,587	53	2,872
Special services	-	600	600	-	-
Retirement	4,390	4,390	4,289	101	3,917
Office supplies	1,000	2,000	2,050	(50)	4,419
Office equipment	-	-	-	-	687
Communications	4,000	4,000	4,380	(380)	4,005
Conference and travel	-	-	20	(20)	254
Repairs and maintenance	-	2,000	2,636	(636)	-
Dues and memberships	500	500	28	472	75
Total City Manager	61,030	63,530	63,910	(380)	62,703
City Council:					
Personal services	8,000	8,000	8,220	(220)	9,100
Social security taxes	600	600	606	(6)	658
Special services	-	500	500	-	-
Communications	-	-	-	-	70
Legislative publications	5,500	7,500	7,885	(385)	5,920
Conference and travel	3,000	3,000	2,516	484	2,716
Building rental	1,200	1,200	1,200	-	1,200
Dues and memberships	5,000	5,000	4,327	673	4,303
Miscellaneous	-	-	236	(236)	-
Total City Council	23,300	25,800	25,490	310	23,967
City Building:					
Personal services	34,955	34,955	34,611	344	32,903
Social security taxes	2,700	2,700	2,653	47	2,581
Special services	-	-	4,200	(4,200)	-
Retirement	6,500	6,500	6,409	91	6,138
Supplies	2,000	2,000	2,502	(502)	2,185
Utilities	5,500	5,500	4,774	726	4,948
Fuel	20,000	20,000	16,349	3,651	16,033
Repairs and maintenance	6,000	6,000	2,690	3,310	5,186
Total City Building	77,655	77,655	74,188	3,467	69,974
City Attorney:					
Personal services	22,200	22,200	22,248	(48)	21,600
Special services	5,000	5,000	3,480	1,520	12,484
Dues and memberships	-	-	565	(565)	-
Miscellaneous	-	-	-	-	-
Total City Attorney	27,200	27,200	26,293	907	34,084
City Clerk:					
Personal services	20,800	20,455	21,731	(1,276)	25,367
Social security taxes	2,000	2,000	1,609	391	2,017
Special services	-	345	257	88	-
Retirement	3,900	3,900	3,372	528	3,088
Office supplies	1,500	1,500	969	531	1,488
Audit	3,552	3,552	4,076	(524)	4,292
Communications	5,000	5,000	4,236	764	3,366
Conference and travel	50	50	43	7	-
Repairs and maintenance	300	300	300	-	300
Miscellaneous	20	20	20	-	118
Total City Clerk	37,122	37,122	36,613	509	40,036

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006			Variance with Final Budget Positive (Negative)	2005 Actual
	Original Budget	Final Budget	Actual GAAP Basis		
Elections:					
Personal services	\$ 2,000	\$ 2,000	\$ 2,084	\$ (84)	\$ 718
Supplies	-	-	-	-	-
Office supplies	1,800	1,800	1,783	17	733
Communications	500	500	395	105	491
Printing and publishing	800	800	688	112	472
Repairs and maintenance	200	200	-	200	-
Office equipment	-	-	-	-	-
Total Elections	5,300	5,300	4,950	350	2,414
Board of Review:					
Personal services	1,000	1,000	860	140	740
Social security taxes	100	100	66	34	57
Total Board of Review	1,100	1,100	926	174	797
TOTAL PUBLIC AFFAIRS	232,707	237,707	232,370	5,337	233,975
ACCOUNTING AND FINANCE:					
City Treasurer:					
Personal services	12,100	13,855	13,697	158	15,108
Social security taxes	925	925	1,079	(154)	1,180
Retirement	2,480	2,480	2,681	(201)	2,843
Office supplies	1,000	1,000	979	21	1,125
Special services	600	945	902	43	635
Communications	2,000	2,000	1,854	146	1,618
Conference and travel	1,000	1,000	920	80	1,562
Repairs and maintenance	300	300	920	(620)	-
Dues and memberships	200	200	150	50	35
Miscellaneous	500	500	46	454	438
Office equipment	1,200	1,200	1,105	95	-
Total City Treasurer	22,305	24,405	24,333	72	24,544
Assessment of Taxes:					
Personal services	45,200	63,400	58,513	4,887	48,480
Social security taxes	3,460	4,160	4,124	36	3,365
Retirement	9,270	11,270	10,973	297	8,150
Office supplies	400	400	539	(139)	123
Communications	2,000	2,000	2,365	(365)	1,758
Conference and travel	400	1,600	1,552	48	269
Repairs and maintenance	100	100	127	(27)	-
Dues and memberships	250	250	-	250	215
Office equipment	-	-	-	-	-
Miscellaneous	-	79,000	79,159	(159)	-
Total Assessment of Taxes	61,080	162,180	157,352	4,828	62,360
TOTAL ACCOUNTING AND FINANCE	83,385	186,585	181,685	4,900	86,904
PUBLIC HEALTH AND SAFETY:					
Police Department:					
Personal services	405,500	405,500	413,381	(7,881)	394,961
Social security taxes	30,830	31,830	31,746	84	30,418
Retirement	109,000	112,500	112,415	85	107,925
Office supplies	2,000	2,000	1,821	179	2,124
Operating supplies	2,000	3,500	3,408	92	1,364
Office equipment	1,500	1,500	1,495	5	-
Uniforms and accessories	5,000	5,000	2,898	2,102	12,775

City of Negaunee, Michigan
GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006			Variance with Final Budget Positive (Negative)	2005 Actual
	Original Budget	Final Budget	Actual GAAP Basis		
Police Department (Continued):					
Animal control	\$ -	\$ -	\$ -	\$ -	\$ (245)
Communications	7,000	8,800	8,733	67	8,199
Vehicle expense	12,000	14,500	14,483	17	13,514
Training	1,300	1,300	794	506	386
Conference and travel	1,000	1,400	1,348	52	715
Repairs and maintenance	500	500	569	(69)	683
Dues and memberships	600	600	566	34	492
Patrol equipment	-	-	-	-	(200)
Crime prevention	-	-	-	-	594
Miscellaneous	1,000	1,000	115	885	1,930
Total Police Department	579,230	589,930	593,772	(3,842)	575,635
Fire Department:					
Personal services	40,000	36,000	35,554	446	37,835
Social security taxes	3,000	3,000	2,725	275	2,873
Retirement	80	80	80	-	73
Operating supplies	3,500	3,500	3,421	79	4,038
Physical exams and tests	1,500	500	388	112	706
Communications	1,400	1,400	1,372	28	944
Vehicle expense	1,300	1,300	516	784	662
Conference and travel	3,000	3,000	2,741	259	1,849
Utilities	1,800	1,800	1,098	702	1,224
Fuel	12,000	10,300	10,281	19	10,008
Repairs and maintenance	5,500	5,500	5,438	62	6,033
Dues and memberships	230	230	184	46	110
Miscellaneous	1,000	1,000	1,000	-	632
Total Fire Department	74,310	67,610	64,798	2,812	66,987
TOTAL PUBLIC HEALTH AND SAFETY	653,540	657,540	658,570	(1,030)	642,622
PUBLIC WORKS:					
Streets, Highways and Alleys:					
Special services	-	-	1,211	(1,211)	-
Operating supplies	30,000	17,100	15,818	1,282	9,935
Total Streets, Highways and Alleys	30,000	17,100	17,029	71	9,935
Bridges and Culverts:					
Special services	-	-	-	-	10,042
Operating supplies	13,000	4,000	3,005	995	-
Total Bridges and Culverts	13,000	4,000	3,005	995	10,042
Traffic Control:					
Special services	500	500	1,182	(682)	2,997
Operating supplies	4,000	4,000	3,390	610	3,101
Railroad signal maintenance	200	200	120	80	120
Utilities	2,000	2,000	1,949	51	1,940
Total Traffic Control	6,700	6,700	6,641	59	8,158
Snow Removal and Ice Control:					
Special services	-	-	-	-	-
Operating supplies	17,000	17,000	15,692	1,308	25,774
Total Snow Removal and Ice Control	17,000	17,000	15,692	1,308	25,774

City of Negaunee, Michigan
GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006

With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2005 Actual
Garbage Collection and Disposal:					
Personal services	\$ 3,000	\$ 3,000	\$ 3,387	\$ (387)	\$ 3,122
Social security taxes	300	300	217	83	239
Retirement	600	600	525	75	529
Operating supplies	100	100	351	(251)	84
Communications	-	-	-	-	-
Vehicle expense	-	-	-	-	-
Total Garbage Collection and Disposal	4,000	4,000	4,480	(480)	3,974
County Sanitary Landfill:					
Special services	176,500	261,500	273,324	(11,824)	184,636
Construction	13,000	13,000	-	13,000	-
Total County Sanitary Landfill	189,500	274,500	273,324	1,176	184,636
Engineering Services:					
Purchased services	13,000	20,000	19,838	162	22,783
Total Engineering Services	13,000	20,000	19,838	162	22,783
Garage and Equipment:					
Personal services	241,700	267,700	263,398	4,302	279,458
Social security taxes	18,370	18,370	18,807	(437)	21,321
Retirement	43,700	43,700	44,749	(1,049)	47,859
Office supplies	1,200	1,200	1,490	(290)	1,363
Operating supplies	7,000	7,000	8,778	(1,778)	8,154
Uniforms and accessories	5,380	5,380	2,312	3,068	4,756
Communications	4,000	4,000	3,828	172	3,594
Vehicle expense	93,000	106,000	102,273	3,727	98,839
Conference and travel	300	300	100	200	135
Utilities	5,500	5,500	5,351	149	5,195
Fuel	23,000	23,000	20,390	2,610	21,739
Repairs and maintenance	3,000	3,000	4,582	(1,582)	1,457
Total Garage and Equipment	446,150	485,150	476,058	9,092	493,870
Curb, Gutter and Sidewalk Maintenance:					
Personal services	-	7,500	18,724	(11,224)	391
Social security taxes	-	-	1,432	(1,432)	30
Retirement	-	-	3,427	(3,427)	72
Special services	-	-	168	(168)	862
Operating supplies	-	-	19,328	(19,328)	-
Total Curb, Gutter and Sidewalk Maintenance	-	7,500	43,079	(35,579)	1,355
Alley Cleaning:					
Personal services	500	500	935	(435)	445
Social security taxes	40	40	72	(32)	34
Retirement	95	95	173	(78)	81
Supplies	5,000	5,000	2,512	2,488	4,422
Total Alley Cleaning	5,635	5,635	3,692	1,943	4,982
Street Lighting:					
Purchased services	26,500	22,400	22,295	105	23,509
Total Street Lighting	26,500	22,400	22,295	105	23,509
TOTAL PUBLIC WORKS	751,485	863,985	885,133	(21,148)	789,018

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2005 Actual
PARKS AND RECREATION:					
Parks and Recreation:					
Personal services	\$ 85,900	\$ 82,900	\$ 86,145	\$ (3,245)	\$ 81,703
Social security taxes	6,580	6,580	6,037	543	6,144
Retirement	9,000	8,100	7,579	521	7,865
Supplies	7,000	6,000	5,761	239	5,583
Special services	5,800	5,800	4,712	1,088	3,997
Utilities	27,000	20,000	20,188	(188)	21,175
Fuel	14,000	14,000	14,834	(834)	14,328
Repairs and maintenance	13,700	8,600	7,469	1,131	8,625
Miscellaneous	5,800	4,800	4,189	611	2,755
Total Parks and Recreation	174,780	156,780	156,914	(134)	152,175
Special Events:					
Personal services	8,000	4,600	4,521	79	5,236
Social security taxes	300	300	343	(43)	400
Retirement	800	800	585	215	525
Operating supplies	2,000	2,000	2,071	(71)	2,072
Special services	2,500	1,900	1,777	123	2,453
Total Special Events	13,600	9,600	9,297	303	10,686
Tree Trimming and Removal:					
Retirement	-	-	-	-	-
Special services	750	750	-	750	1,050
Supplies	750	750	800	(50)	237
Total Tree Trimming and Removal	1,500	1,500	800	700	1,287
City Band:					
Personal services	4,600	4,600	4,507	93	4,931
Music and supplies	600	600	694	(94)	1,527
Utilities	700	700	610	90	588
Fuel	1,000	1,000	944	56	942
Repairs and maintenance	400	400	484	(84)	411
Miscellaneous	270	270	210	60	191
Total City Band	7,570	7,570	7,449	121	8,590
TOTAL PARKS AND RECREATION	197,450	175,450	174,460	990	172,738
CEMETERY:					
Personal services	65,900	65,900	62,233	3,667	66,582
Social security taxes	4,600	4,600	4,826	(226)	5,157
Retirement	9,400	9,400	8,635	765	8,792
Operating supplies	700	700	999	(299)	1,407
Communications	500	500	1,266	(766)	1,077
Vehicle expense	3,500	4,000	5,855	(1,855)	3,004
Electricity and water	2,100	2,100	2,296	(196)	2,810
Fuel	3,000	3,000	2,761	239	1,018
Repairs and maintenance	5,000	5,000	5,534	(534)	6,582
TOTAL CEMETERY	94,700	95,200	94,405	795	96,429
LIBRARY:					
Personal services	79,000	82,000	80,780	1,220	81,679
Social security taxes	6,040	6,040	6,275	(235)	6,249
Retirement	14,100	14,100	13,820	280	12,391
Office supplies	1,500	1,500	1,174	326	1,970
Communications	7,100	10,100	10,723	(623)	8,155
Electricity and water	1,000	1,000	849	151	855

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2005 Actual
Library (Continued):					
Conferences and travel	\$ 75	\$ 75	\$ 35	\$ 40	\$ 47
Dues and memberships	3,500	3,500	3,179	321	3,331
Books, magazines and periodicals	8,000	9,000	9,318	(318)	10,796
Miscellaneous	-	-	-	-	-
TOTAL LIBRARY	120,315	127,315	126,153	1,162	125,473
OTHER GOVERNMENTAL:					
Downtown Development	-	-	-	-	-
Luge Project	700	700	230	470	149
Social security taxes	-	-	2,287	(2,287)	963
Group life and hospitalization insurance	784,500	784,500	780,931	3,569	844,121
Workmen's compensation insurance	38,000	38,000	37,237	763	35,217
Longevity and separation pay	9,350	20,350	8,579	11,771	51,312
Retirement benefits	-	-	-	-	1,130
Fire, liability and other insurance	61,740	61,740	45,282	16,458	124,150
Easements and leases	500	500	462	38	424
Bad debt expense	300	300	231	69	42
Contribution - senior citizen	15,000	15,000	15,000	-	15,000
Miscellaneous	5,900	5,900	5,070	830	1,446
TOTAL OTHER GOVERNMENTAL	915,990	926,990	895,309	31,681	1,073,954
DEBT SERVICE:					
Principal payments	16,513	16,513	16,513	-	15,960
Interest and fiscal charges	5,832	5,832	5,832	-	6,623
TOTAL DEBT SERVICE	22,345	22,345	22,345	-	22,583
CAPITAL OUTLAY:					
City building	7,500	7,500	6,730	770	-
Police department	25,000	25,000	24,251	749	-
Fire department	100,700	2,700	1,713	987	73,937
Garage and equipment	18,000	18,000	18,000	-	-
Curb & Sidewalk Repair	125,000	125,000	89,246	35,754	-
City band	-	-	-	-	600
Parks and Recreation	8,800	8,800	8,208	592	-
Cemetery	-	-	-	-	-
TOTAL CAPITAL OUTLAY	285,000	187,000	148,148	38,852	74,537
TOTAL EXPENDITURES	3,356,917	3,480,117	3,418,578	61,539	3,318,233
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(239,227)	(132,975)	(10,662)	122,313	2,795
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	-
Transfers in	335,352	330,000	330,000	-	300,000
Transfers out	(96,125)	(197,025)	(259,846)	(62,821)	(321,612)
TOTAL OTHER FINANCING SOURCES (USES)	239,227	132,975	70,154	(62,821)	(21,612)
CHANGE IN FUND BALANCE	-	-	59,492	59,492	(18,817)
Fund balance, beginning of year	811,806	811,806	811,806	-	830,623
FUND BALANCE, END OF YEAR	\$ 811,806	\$ 811,806	\$ 871,298	\$ 59,492	\$ 811,806

City of Negaunee, Michigan
Major Special Revenue Funds
Budgetary Comparison Schedule
For the Year Ended December 31, 2006

	MAJOR STREET FUND				LOCAL STREET FUND			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget	Original	Final	GAAP	Final Budget
			Basis	Positive			Basis	Positive
				(Negative)				(Negative)
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-	-	-
State sources	457,175	517,175	481,682	(35,493)	185,125	239,125	223,037	(16,088)
Interest income and rentals	1,000	1,000	19	(981)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>458,175</u>	<u>518,175</u>	<u>481,701</u>	<u>(36,474)</u>	<u>185,125</u>	<u>239,125</u>	<u>223,037</u>	<u>(16,088)</u>
EXPENDITURES:								
Current operations:								
Public works	412,110	488,010	486,783	1,227	341,250	480,250	479,657	593
Other governmental	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>412,110</u>	<u>488,010</u>	<u>486,783</u>	<u>1,227</u>	<u>341,250</u>	<u>480,250</u>	<u>479,657</u>	<u>593</u>
EXCESS OF REVENUES OVER								
(UNDER) EXPENDITURES	<u>46,065</u>	<u>30,165</u>	<u>(5,082)</u>	<u>(35,247)</u>	<u>(156,125)</u>	<u>(241,125)</u>	<u>(256,620)</u>	<u>(15,495)</u>
OTHER FINANCING								
SOURCES (USES):								
Transfers in	13,935	13,935	3,226	(10,709)	156,125	241,125	256,620	15,495
Transfers (out)	(60,000)	(44,100)	-	44,100	-	-	-	-
TOTAL OTHER FINANCING								
SOURCES (USES)	<u>(46,065)</u>	<u>(30,165)</u>	<u>3,226</u>	<u>33,391</u>	<u>156,125</u>	<u>241,125</u>	<u>256,620</u>	<u>15,495</u>
CHANGE IN FUND BALANCE	-	-	(1,856)	(1,856)	-	-	-	-
Fund balance, beginning of year	1,856	1,856	1,856	-	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ 1,856</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ (1,856)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with Final Budget Positive (Negative)	2005 Actual
	Final Budget	Actual GAAP Basis		
REVENUES:				
State sources:				
Motor vehicle highway gas and weight tax	\$ 332,175	\$ 305,578	\$ (26,597)	\$ 272,618
Highway maintenance contract	185,000	176,104	(8,896)	60,199
Investment income	1,000	19	(981)	881
TOTAL REVENUES	518,175	481,701	(36,474)	333,698
EXPENDITURES:				
MAJOR STREET:				
Administration, Engineering and Records:				
Personal services	10,500	10,693	(193)	10,324
Surface:				
Personal services	10,000	10,176	(176)	5,840
Social security	500	778	(278)	447
Retirement	1,600	1,873	(273)	1,068
Supplies	5,000	4,255	745	1,379
Equipment rental	9,500	9,482	18	2,487
Total Surface	26,600	26,564	36	11,221
Sweeping and Flushing:				
Personal services	4,300	4,216	84	5,653
Social security	500	322	178	433
Retirement	800	741	59	998
Equipment rental	14,000	14,114	(114)	18,363
Total Sweeping and Flushing	19,600	19,393	207	25,447
Tree Trimming:				
Personal services	5,100	5,206	(106)	1,578
Social security	400	379	21	121
Retirement	900	946	(46)	281
Supplies	300	163	137	160
Equipment rental	12,000	11,956	44	1,411
Total Tree Trimming	18,700	18,650	50	3,551
Storm Drains, Curb and Gutter:				
Personal services	10,800	10,767	33	14,171
Social security	800	824	(24)	1,084
Retirement	2,000	1,962	38	2,559
Supplies	2,600	2,618	(18)	6,206
Equipment rental	19,300	19,302	(2)	13,661
Total Storm Drains, Curb and Gutter	35,500	35,473	27	37,681
Traffic Signs and Pavement Markings:				
Personal services	5,200	5,248	(48)	2,699
Social security	400	399	1	206
Retirement	1,000	964	36	493
Supplies	1,400	1,443	(43)	288
Equipment rental	1,800	1,739	61	306
Total Traffic Signs and Pavement Markings	9,800	9,793	7	3,992

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with Final Budget Positive (Negative)	2005 Actual
	Final Budget	Actual GAAP Basis		
Winter Maintenance:				
Personal services	\$ 35,000	\$ 28,418	\$ 6,582	\$ 29,748
Social security	2,700	2,129	571	2,276
Retirement	7,000	5,119	1,881	5,378
Supplies	10,000	18,206	(8,206)	14,283
Equipment rental	70,000	71,352	(1,352)	81,345
Total Winter Maintenance	124,700	125,224	(524)	133,030
Employee benefits	45,100	44,466	634	38,155
TOTAL MAJOR STREET	290,500	290,256	244	263,401
TRUNKLINE:				
Administration, Engineering and Records:				
Personal services	7,200	7,299	(99)	6,978
Contract services	130,000	128,584	1,416	-
	137,200	135,883	1,317	6,978
Routine Maintenance:				
Personal services	700	638	62	32
Social security	50	(59)	109	2
Retirement	100	118	(18)	6
Supplies	200	172	28	17
Equipment rental	1,200	1,205	(5)	15
Total Routine Maintenance	2,250	2,074	176	72
Sweeping:				
Personal services	200	119	81	-
Social security	-	(4)	4	-
Retirement	-	17	(17)	-
Supplies	-	-	-	-
Equipment rental	600	551	49	-
Total Sweeping	800	683	117	-
Roadside Operations:				
Personal services	1,600	1,564	36	2,633
Social security	125	12	113	201
Retirement	175	290	(115)	466
Supplies	200	114	86	1,876
Equipment rental	3,000	3,005	(5)	2,231
Total Roadside Operations	5,100	4,985	115	7,407
Traffic Signs and Pavement Markings:				
Personal services	1,000	860	140	-
Social security	20	66	(46)	-
Retirement	140	159	(19)	-
Supplies	2,000	2,129	(129)	1,940
Equipment rental	400	342	58	-
Total Traffic Signs and Pavement Markings	3,560	3,556	4	1,940

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with Final Budget Positive (Negative)	2005 Actual
	Final Budget	Actual GAAP Basis		
Winter Maintenance:				
Personal services	\$ 8,000	\$ 7,344	\$ 656	\$ 10,056
Social security	700	555	145	769
Retirement	1,600	1,340	260	1,832
Supplies	6,000	7,029	(1,029)	4,878
Equipment rental	23,000	22,733	267	27,141
Total Winter Maintenance	39,300	39,001	299	44,676
Employee benefits	9,300	10,345	(1,045)	8,985
TOTAL TRUNKLINE	197,510	196,527	983	70,058
TOTAL EXPENDITURES	488,010	486,783	1,227	333,459
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,165	(5,082)	(35,247)	239
OTHER FINANCING SOURCES (USES):				
Transfers in	13,935	3,226	(10,709)	-
Transfers (out)	(44,100)	-	44,100	(55,000)
TOTAL OTHER FINANCING SOURCES (USES)	(30,165)	3,226	33,391	(55,000)
CHANGE IN FUND BALANCE	-	(1,856)	(1,856)	(54,761)
Fund balance, beginning of year	1,856	1,856	-	56,617
FUND BALANCE, END OF YEAR	\$ 1,856	\$ -	\$ (1,856)	\$ 1,856

City of Negaunee, Michigan
LOCAL STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with Final Budget Positive (Negative)	2005 Actual
	Final Budget	Actual GAAP Basis		
REVENUES:				
State sources:				
Motor vehicle highway gas and weight tax	\$ 239,125	\$ 223,037	\$ (16,088)	\$ 170,362
Investment income	-	-	-	-
TOTAL REVENUES	239,125	223,037	(16,088)	170,362
EXPENDITURES:				
Administration, Engineering and Records:				
Personal services	11,150	11,116	34	10,724
Routine Maintenance:				
Personal services	14,000	13,951	49	24,344
Contract Services	60,000	59,406	594	-
Social security	1,100	1,067	33	1,862
Retirement	2,550	2,536	14	4,360
Supplies	7,300	7,356	(56)	8,697
Equipment rental	23,100	23,107	(7)	34,962
Total Routine Maintenance	108,050	107,423	627	74,225
Sweeping and Flushing:				
Personal services	5,700	5,737	(37)	8,562
Social security	450	439	11	655
Retirement	1,200	1,137	63	1,507
Equipment rental	22,000	22,031	(31)	31,874
Total Sweeping and Flushing	29,350	29,344	6	42,598
Tree Trimming:				
Personal services	6,800	7,091	(291)	9,050
Social security	400	508	(108)	692
Retirement	1,300	1,248	52	1,701
Supplies	-	-	-	-
Equipment rental	10,500	10,424	76	11,174
Total Tree Trimming	19,000	19,271	(271)	22,617
Storm Drains, Curb and Gutter:				
Personal services	14,000	13,861	139	22,244
Social security	1,100	1,060	40	1,702
Retirement	2,500	2,495	5	4,041
Supplies	3,000	2,699	301	6,438
Equipment rental	26,500	26,636	(136)	20,532
Total Storm Drains, Curb and Gutter	47,100	46,751	349	54,957
Traffic Signs and Pavement Markings:				
Personal services	1,500	1,452	48	6,794
Social security	300	111	189	520
Retirement	300	268	32	1,242
Supplies	1,000	732	268	1,119
Equipment rental	1,000	826	174	1,224
Total Traffic Signs and Pavement Markings	4,100	3,389	711	10,899

City of Negaunee, Michigan
LOCAL STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2005

	2006		Variance with Final Budget Positive (Negative)	2005 Actual
	Final Budget	Actual GAAP Basis		
Winter Maintenance:				
Personal services	\$ 46,500	\$ 47,874	\$ (1,374)	\$ 63,694
Social security	3,700	3,563	137	4,873
Retirement	8,900	8,606	294	11,907
Supplies	11,500	11,521	(21)	12,123
Equipment rental	130,800	130,755	45	162,486
Total Winter Maintenance	201,400	202,319	(919)	255,083
Employee benefits	60,100	60,044	56	75,871
TOTAL EXPENDITURES	480,250	479,657	593	546,974
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(241,125)	(256,620)	(15,495)	(376,612)
OTHER FINANCING SOURCES (USES):				
Transfers in	241,125	256,620	15,495	376,612
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	241,125	256,620	15,495	376,612
CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

OTHER FINANCIAL INFORMATION

City of Negaunee, Michigan

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The LIBRARY STATE AID FUND, LAW ENFORCEMENT FUND, CRIME PREVENTION FUND and ECONOMIC DEVELOPMENT FUND are nonmajor special revenue fund types.

PERMANENT FUNDS

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The CEMETERY FUND is a permanent fund type.

City of Negaunee, Michigan
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
December 31, 2006

	Special Revenue Funds	Permanent Funds Cemetery Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 170,189	\$ 98,170	\$ 268,359
Accounts receivable, net	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	\$ 170,189	\$ 98,170	\$ 268,359
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	8,531	-	8,531
Due to other funds	-	-	-
TOTAL LIABILITIES	8,531	-	8,531
FUND BALANCE:			
Reserved for:			
Cemetery Trust	-	98,170	98,170
Unreserved, reported in:			
Special revenue funds	161,658	-	161,658
TOTAL FUND BALANCE	161,658	98,170	259,828
TOTAL LIABILITIES AND FUND BALANCE	\$ 170,189	\$ 98,170	\$ 268,359

City of Negaunee, Michigan
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

	Special Revenue Funds	Permanent Fund Cemetery Trust Fund	Total
REVENUES:			
State sources	\$ 7,163	\$ -	\$ 7,163
Contributions - other	2,085	-	2,085
Investment income	1,450	3,622	5,072
Other revenue	5,128	3,839	8,967
TOTAL REVENUES	15,826	7,461	23,287
EXPENDITURES:			
Current operations:			
Public works	6	-	6
Public health and safety	5,155	-	5,155
Library	4,814	-	4,814
Community development	84,074	-	84,074
TOTAL EXPENDITURES	94,049	-	94,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,223)	7,461	(70,762)
OTHER FINANCING SOURCES (USES):			
Transfers in	100,000	-	100,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	100,000	-	100,000
CHANGE IN FUND BALANCE	21,777	7,461	29,238
Fund balance, beginning of year	139,881	90,709	230,590
FUND BALANCE, END OF YEAR	\$ 161,658	\$ 98,170	\$ 259,828

City of Negaunee, Michigan
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
December 31, 2006

	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Teal Lake Improvement Fund	Total
ASSETS						
Cash and cash equivalents	\$ 38,562	\$ 4,239	\$ 1,255	\$ 124,939	\$ 1,194	\$ 170,189
Accounts receivable, net	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 38,562</u>	<u>\$ 4,239</u>	<u>\$ 1,255</u>	<u>\$ 124,939</u>	<u>\$ 1,194</u>	<u>\$ 170,189</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	298	-	-	8,233	-	8,531
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>298</u>	<u>-</u>	<u>-</u>	<u>8,233</u>	<u>-</u>	<u>8,531</u>
FUND BALANCE:						
Designated	-	-	-	5,000	-	5,000
Undesignated	38,264	4,239	1,255	111,706	1,194	156,658
TOTAL FUND BALANCE	<u>38,264</u>	<u>4,239</u>	<u>1,255</u>	<u>116,706</u>	<u>1,194</u>	<u>161,658</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 38,562</u>	<u>\$ 4,239</u>	<u>\$ 1,255</u>	<u>\$ 124,939</u>	<u>\$ 1,194</u>	<u>\$ 170,189</u>

City of Negaunee, Michigan
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Teal Lake Improvement Fund	Total
REVENUES:						
State sources	\$ 5,261	\$ 1,902	\$ -	\$ -	\$ -	\$ 7,163
Contributions - other	10	-	2,075	-	-	2,085
Investment income	1,450	-	-	-	-	1,450
Other revenues	-	-	-	3,928	1,200	5,128
TOTAL REVENUES	6,721	1,902	2,075	3,928	1,200	15,826
EXPENDITURES:						
Current operations:						
Public works	-	-	-	-	6	6
Public health and safety	-	1,970	3,185	-	-	5,155
Library:						
Books and magazines	2,059	-	-	-	-	2,059
Dues and subscriptions	2,630	-	-	-	-	2,630
Supplies	125	-	-	-	-	125
Community development	-	-	-	84,074	-	84,074
TOTAL EXPENDITURES	4,814	1,970	3,185	84,074	6	94,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,907	(68)	(1,110)	(80,146)	1,194	(78,223)
OTHER FINANCING SOURCES:						
Transfers in	-	-	-	100,000	-	100,000
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	100,000	-	100,000
CHANGES IN FUND BALANCE	1,907	(68)	(1,110)	19,854	1,194	21,777
Fund balance, beginning of year	36,357	4,307	2,365	96,852	-	139,881
FUND BALANCE, END OF YEAR	\$ 38,264	\$ 4,239	\$ 1,255	\$ 116,706	\$ 1,194	\$ 161,658

City of Negaunee, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

City of Negaunee, Michigan
SEWER UTILITY FUND
Statement of Net Assets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 752,708	\$ 749,004
Restricted assets - cash	2,358,858	2,340,147
Accounts receivable	83,094	83,082
Allowance for uncollectible accounts	(3,300)	(3,300)
Special assessment receivable	607	408
Unamortized bond issuance costs	75,045	78,797
TOTAL CURRENT ASSETS	3,267,012	3,248,138
Noncurrent Assets:		
Construction in progress	3,156,697	1,033,730
Land	40,000	40,000
Property, plant and equipment	8,514,968	8,514,968
Accumulated depreciation	(5,551,761)	(5,346,540)
TOTAL NONCURRENT ASSETS	6,159,904	4,242,158
TOTAL ASSETS	9,426,916	7,490,296
LIABILITIES		
Current Liabilities:		
Accounts payable	13,472	12,311
Accrued salaries	5,972	4,517
Accrued sick and vacation leave	21,624	26,875
Current portion of long-term debt	90,000	85,000
TOTAL CURRENT LIABILITIES	131,068	128,703
Noncurrent Liabilities:		
Deferred amounts on refunding	(168,550)	(177,848)
Revenue bonds payable	2,525,000	2,615,000
TOTAL NONCURRENT LIABILITIES	2,356,450	2,437,152
TOTAL LIABILITIES	2,487,518	2,565,855
NET ASSETS		
Invested in capital assets net of related debt	3,544,904	1,542,158
Net Assets:		
Restricted for debt service	226,000	226,000
Unrestricted	3,168,494	3,156,283
TOTAL NET ASSETS	\$ 6,939,398	\$ 4,924,441

City of Negaunee, Michigan
SEWER UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
OPERATING REVENUES:		
Sewer permits and revenues	\$ 862,346	\$ 850,501
Municipal departments	4,829	5,258
Other operating revenues	23,945	15,149
TOTAL OPERATING REVENUES	891,120	870,908
OPERATING EXPENSES:		
Provision for depreciation	205,221	203,145
Customer accounting and collection	40,063	32,231
Administrative and general	235,299	152,308
Sewage, sanitary and storm sewers	104,861	101,849
Wastewater treatment plant	347,558	330,594
TOTAL OPERATING EXPENSES	933,002	820,127
OPERATING INCOME (LOSS)	(41,882)	50,781
NONOPERATING REVENUES (EXPENSES):		
Interest income	62,180	38,279
Interest expense on bonds	(128,308)	(135,210)
TOTAL NONOPERATING (EXPENSES)	(66,128)	(96,931)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(108,010)	(46,150)
Capital contributions	2,122,967	1,158,567
CHANGE IN NET ASSETS	2,014,957	1,112,417
Net assets, beginning of year	4,924,441	3,812,024
NET ASSETS, END OF YEAR	<u>\$ 6,939,398</u>	<u>\$ 4,924,441</u>

City of Negaunee, Michigan
SEWER UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 866,964	\$ 854,371
Other operating revenues	23,945	15,149
Cash payments to employees for services	(295,629)	(276,092)
Cash payments for payroll taxes	(20,317)	(20,591)
Cash payments to suppliers for goods and services	(414,470)	(310,741)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	160,493	262,096
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(92,495)
Principal payment on long-term bonds	(85,000)	(85,000)
Interest paid on long-term bonds	(115,258)	(117,808)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(200,258)	(295,303)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	62,180	38,279
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	62,180	38,279
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,415	5,072
Cash and cash equivalents, beginning of year	3,089,151	3,084,079
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,111,566	\$ 3,089,151
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 752,708	\$ 749,004
Restricted assets - cash	2,358,858	2,340,147
Total Cash and Cash Equivalents per Statement of Net Assets	\$ 3,111,566	\$ 3,089,151
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (41,882)	\$ 50,781
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	205,221	203,145
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(12)	(1,431)
(Increase) decrease in special assessments receivable	(199)	43
Increase (decrease) in accounts payable	1,161	6,610
Increase (decrease) in payroll liabilities	(3,796)	2,948
NET ADJUSTMENTS	202,375	211,315
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 160,493	\$ 262,096

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Statement of Net Assets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,747,596	\$ 1,973,076
Restricted assets - cash	33,159	33,159
Accounts receivable	190,760	167,648
Allowance for uncollectible accounts	(9,700)	(9,700)
Special assessment receivable	1,310	1,486
TOTAL CURRENT ASSETS	1,963,125	2,165,669
Noncurrent Assets:		
Investment in U.P.P.A. Electric Utility	165,472	165,472
Property, plant and equipment	1,761,172	1,761,172
Accumulated depreciation	(1,347,911)	(1,287,989)
TOTAL NONCURRENT ASSETS	578,733	638,655
TOTAL ASSETS	2,541,858	2,804,324
LIABILITIES		
Current Liabilities:		
Accounts payable	48,182	124,969
Accrued salaries	5,274	3,871
Accrued sick and vacation leave	26,466	29,041
Customer deposits payable	232,858	226,928
TOTAL CURRENT LIABILITIES	312,780	384,809
TOTAL LIABILITIES	312,780	384,809
NET ASSETS		
Invested in capital assets net of related debt	413,260	473,183
Net Assets:		
Unrestricted	1,815,818	1,946,332
TOTAL NET ASSETS	\$ 2,229,078	\$ 2,419,515

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
OPERATING REVENUES:		
Electric charges	\$ 1,824,083	\$ 1,804,381
Pole line rental	10,778	7,478
Other operating revenues	74,760	6,300
TOTAL OPERATING REVENUES	<u>1,909,621</u>	<u>1,818,159</u>
OPERATING EXPENSES:		
Transmission and distribution	312,029	289,441
Provision for depreciation	59,922	61,012
Customer accounting and collection	60,080	49,303
Administrative and general	138,692	113,320
Services purchased	1,207,051	995,214
TOTAL OPERATING EXPENSES	<u>1,777,774</u>	<u>1,508,290</u>
OPERATING INCOME (LOSS)	<u>131,847</u>	<u>309,869</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	98,506	64,949
Penalties on delinquent accounts	15,194	14,117
Interest and tax expense	(5,984)	(4,007)
TOTAL NONOPERATING (EXPENSES)	<u>107,716</u>	<u>75,059</u>
INCOME (LOSS) BEFORE TRANSFERS	239,563	384,928
Transfers in	-	42,400
Transfers (out)	(430,000)	(400,000)
CHANGE IN NET ASSETS	(190,437)	27,328
Net assets, beginning of year	<u>2,419,515</u>	<u>2,392,187</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,229,078</u></u>	<u><u>\$ 2,419,515</u></u>

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 1,817,855	\$ 1,820,200
Other operating revenues	74,760	6,300
Cash payments to employees for services	(233,610)	(217,840)
Cash payments for payroll taxes	(16,010)	(16,212)
Cash payments to suppliers for goods and services	(1,546,191)	(1,199,258)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>96,804</u>	<u>393,190</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	(430,000)	(357,600)
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(430,000)</u>	<u>(357,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(10,462)
Interest and tax expense	(5,984)	(4,007)
Penalties on delinquent accounts	15,194	14,117
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>9,210</u>	<u>(352)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	98,506	64,949
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>98,506</u>	<u>64,949</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(225,480)	100,187
Cash and cash equivalents, beginning of year	2,006,235	1,906,048
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,780,755</u>	<u>\$ 2,006,235</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 1,747,596	\$ 1,973,076
Restricted assets - cash	33,159	33,159
Total Cash and Cash Equivalents per Statement of Net Assets	<u>\$ 1,780,755</u>	<u>\$ 2,006,235</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 131,847	\$ 309,869
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	59,922	61,012
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(23,112)	(1,086)
(Increase) decrease in special assessments receivable	176	995
Increase (decrease) in accounts payable	(76,787)	11,538
Increase (decrease) in payroll liabilities	(1,172)	2,430
Increase (decrease) in customer deposits payable	5,930	8,432
NET ADJUSTMENTS	<u>(35,043)</u>	<u>83,321</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 96,804</u>	<u>\$ 393,190</u>

City of Negaunee, Michigan
WATER UTILITY FUND
Statement of Net Assets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 409,289	\$ 637,909
Restricted assets - cash	219,500	202,550
Accounts receivable	74,362	71,102
Allowance for uncollectible accounts	(4,300)	(4,300)
Special assessment receivable	532	274
TOTAL CURRENT ASSETS	699,383	907,535
Noncurrent Assets:		
Investment in Joint Water Authority	543,875	543,875
Property, plant and equipment	9,039,611	9,039,611
Accumulated depreciation	(2,242,162)	(2,004,875)
TOTAL NONCURRENT ASSETS	7,341,324	7,578,611
TOTAL ASSETS	8,040,707	8,486,146
LIABILITIES		
Current Liabilities:		
Accounts payable	15,997	240,636
Accrued liabilities	33,111	34,441
Accrued salaries	1,360	2,581
Accrued sick and vacation leave	6,481	7,349
Current portion of long-term debt	200,541	191,054
TOTAL CURRENT LIABILITIES	257,490	476,061
Noncurrent Liabilities:		
Deferred amounts on refunding	(88,048)	(100,626)
Contracts payable	1,250,113	1,419,654
Revenue bonds payable	1,976,000	2,007,000
TOTAL NONCURRENT LIABILITIES	3,138,065	3,326,028
TOTAL LIABILITIES	3,395,555	3,802,089
NET ASSETS		
Invested in capital assets net of related debt	4,790,449	4,998,736
Net Assets:		
Unrestricted	(145,297)	(314,679)
TOTAL NET ASSETS	\$ 4,645,152	\$ 4,684,057

City of Negaunee, Michigan
WATER UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
OPERATING REVENUES:		
Water charges	\$ 731,792	\$ 730,450
Municipal departments	8,416	8,207
Tapping permits	3,730	3,865
Other operating revenues	4,832	3,776
TOTAL OPERATING REVENUES	748,770	746,298
OPERATING EXPENSES:		
Power and pumping	317	365
Transmission and distribution	88,771	107,022
Provision for depreciation	237,287	221,536
Customer accounting and collection	39,867	32,286
Administrative and general	258,210	235,530
Water meters	20,606	18,758
TOTAL OPERATING EXPENSES	645,058	615,497
OPERATING INCOME (LOSS)	103,712	130,801
NONOPERATING REVENUES (EXPENSES):		
Interest income	21,024	17,044
Interest expense on bonds	(161,641)	(170,681)
TOTAL NONOPERATING (EXPENSES)	(140,617)	(153,637)
CHANGE IN NET ASSETS	(36,905)	(22,836)
Net assets, beginning of year	4,684,057	4,706,893
NET ASSETS, END OF YEAR	\$ 4,647,152	\$ 4,684,057

City of Negaunee, Michigan
WATER UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 740,420	\$ 744,749
Other operating revenues	4,832	3,776
Cash payments to employees for services	(124,908)	(134,678)
Cash payments for payroll taxes	(8,033)	(9,977)
Cash payments to suppliers for goods and services	(501,558)	(25,375)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	110,753	578,495
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(250,167)
Principal payment on long-term bonds	(193,054)	(183,587)
Interest paid on long-term bonds	(150,393)	(159,328)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(343,447)	(593,082)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	21,024	17,044
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	21,024	17,044
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(211,670)	2,457
Cash and cash equivalents, beginning of year	840,459	838,002
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 628,789	\$ 840,459
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 409,289	\$ 637,909
Restricted assets - cash	219,500	202,550
Total Cash and Cash Equivalents per Statement of Net Assets	\$ 628,789	\$ 840,459
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 103,712	\$ 130,801
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	237,287	221,536
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(3,260)	2,163
(Increase) decrease in special assessments receivable	(258)	64
Increase (decrease) in accounts payable	(224,639)	226,941
Increase (decrease) in payroll liabilities	(2,089)	(3,010)
NET ADJUSTMENTS	7,041	447,694
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 110,753	\$ 578,495

City of Negaunee, Michigan
CABLE UTILITY FUND
Statement of Net Assets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 143,857	\$ 133,603
Restricted assets - cash	50,000	50,000
Accounts receivable	36,469	34,452
Allowance for uncollectible accounts	(1,300)	(1,300)
TOTAL CURRENT ASSETS	229,026	216,755
Noncurrent Assets:		
Property, plant and equipment	556,682	556,682
Accumulated depreciation	(513,120)	(503,927)
TOTAL NONCURRENT ASSETS	43,562	52,755
TOTAL ASSETS	272,588	269,510
LIABILITIES		
Current Liabilities:		
Accounts payable	25,703	21,300
Accrued salaries	1,473	1,290
Accrued sick and vacation leave	1,051	997
TOTAL CURRENT LIABILITIES	28,227	23,587
TOTAL LIABILITIES	28,227	23,587
NET ASSETS		
Invested in capital assets net of related debt	43,562	52,755
Net Assets:		
Unrestricted	200,799	193,168
TOTAL NET ASSETS	\$ 244,361	\$ 245,923

City of Negaunee, Michigan
CABLE UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
OPERATING REVENUES:		
Cable TV subscriptions	\$ 380,890	\$ 374,610
Home box office	20,255	19,830
Cable TV installation fee	3,987	3,315
Miscellaneous	22,272	18,859
TOTAL OPERATING REVENUES	<u>427,404</u>	<u>416,614</u>
OPERATING EXPENSES:		
Transmission and distribution	83,364	77,429
Provision for depreciation	9,193	9,308
Customer accounting and collection	38,467	30,456
Administrative and general	62,405	51,715
Services purchased	241,906	225,029
TOTAL OPERATING EXPENSES	<u>435,335</u>	<u>393,937</u>
OPERATING INCOME (LOSS)	<u>(7,931)</u>	<u>22,677</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	6,369	3,269
TOTAL NONOPERATING REVENUES	<u>6,369</u>	<u>3,269</u>
CHANGE IN NET ASSETS	(1,562)	25,946
Net assets, beginning of year	<u>245,923</u>	<u>219,977</u>
NET ASSETS, END OF YEAR	<u><u>\$ 244,361</u></u>	<u><u>\$ 245,923</u></u>

City of Negaunee, Michigan
CABLE UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2006
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 403,115	\$ 395,911
Other operating revenues	22,272	18,859
Cash payments to employees for services	(83,123)	(79,962)
Cash payments for payroll taxes	(5,159)	(5,826)
Cash payments to suppliers for goods and services	(333,220)	(303,107)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,885	25,875
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	6,369	3,270
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,369	3,270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,254	29,145
Cash and cash equivalents, beginning of year	183,603	154,458
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 193,857	\$ 183,603
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 143,857	\$ 133,603
Restricted assets - cash	50,000	50,000
Total Cash and Cash Equivalents per Statement of Net Assets	\$ 193,857	\$ 183,603
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (7,931)	\$ 22,677
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,193	9,308
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(2,017)	(1,844)
Increase (decrease) in accounts payable	4,403	(2,494)
Increase (decrease) in payroll liabilities	237	(1,772)
NET ADJUSTMENTS	11,816	3,198
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,885	\$ 25,875

COMPLIANCE SUPPLEMENTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the City of Negaunee, Michigan's basic financial statements and have issued our report thereon dated May 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the City of Negaunee, Michigan's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Negaunee, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Negaunee, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Negaunee, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Negaunee, Michigan's internal control. These instances are described in a separate letter to management dated May 28, 2007.

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Negaunee, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated May 28, 2007.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 28, 2007